U.S. Department of Housing and Urban Development
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174.

A Guidebook

Home Mortgage Disclosure Act and Reinvestment Strategies

A Guidebook:
Home Mortgage Disclosure Act
and
Reinvestment Strategies

for

U.S. Department of Housing and Urban Development
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IN REPLY REFER TO:

FOREWORD

Discrimination in housing can take many forms. It is possible to break the law and discriminate against people. It is also possible to discriminate against whole neighborhoods by refusing to give mortgage credit.

In 1975, Congress passed the Home Mortgage Disclosure Act, which requires federally supervised lending institutions to make public, once a year, the precise number of mortgage loans they have made, the amount of those loans, and the location of the properties on which the loans are made. From these facts, community groups and local governments can determine whether or not mortgage credit has been withheld from certain neighborhoods and, from there, to analyze local housing markets, negotiate new programs with lenders, challenge lender applications for regulatory approval, and monitor the progress of reinvestment programs.

This guidebook explains in detail how to collect the data available from the Home Mortgage Disclosure Act and other sources, and how to use them. Such knowledge is especially necessary for the successful implementation of reinvestment strategies. In other words, the book contains much of what you need to know to make a neighborhood come alive again.

The Office of Policy Development and Research funded this book, and Jane Karadbil of its Division of Policy Development supervised. Karen Kollias, of the Office of Neighborhoods, Voluntary Associations, and Consumer Protection, was her strong right arm.

Donna E. Shalala
Assistant Secretary for
Policy Development and Research

Geno Baroni
Assistant Secretary for
Neighborhoods, Voluntary
Associations and Consumer
Protection

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Introduction

Before the Home Mortgage Disclosure Act was passed in 1975, the public had little or no means of determining how much credit a lender was providing in a neighborhood. When an organized community group charged that a lender was discriminating against a neighborhood by withholding credit, the lender claimed that there simply was no buyer demand for credit.

Realizing that they needed hard data on lending patterns, community groups lobbied for legislation which would require lenders to disclose the number, amount and location of the real estate loans they were making.

From these efforts came the Home Mortgage Disclosure Act (HMDA), which mandates lenders to prepare annual lending reports for examination by the public. Community groups and local governments now have access to the evidence they need to make a case for reinvestment by lenders.

In addition to the Federal Act, there also are a number of State and local statutes which require the reporting of lender activity. Information from these combined sources is called "disclosure data." When gathered, analyzed, and presented by a neighborhood group or local government, disclosure data becomes an effective tool in efforts to develop reinvestment laws.

While the provisions contained in local disclosure laws vary from one area to another, the Federal Act requires uniform reporting for all institutions covered by the Act. There is, however, no standard form required to be used for displaying the data. The Act provides that disclosure statements be made available to the public for examination (and copying on the premises) at banks, savings associations, and federal credit unions. These institutions must update their reports annually. The data is to be reported by census tract classification within an SMSA, and can be correlated with Census Bureau and SMSA maps available in public libraries.

Since HMDA was passed in 1975, many organizations and agencies have effectively used disclosure data reported in compliance with the Act. These are some of the ways in which it has been helpful:

- determining the areas in which individual lenders are involved, and the degree of involvement
- identifying lenders who are minimally involved
- monitoring general lending patterns
- assessing rehabilitation and preservation projects
- selecting sites for public programs
- preparing for effective participation in regulatory reviews of lender performance
- making CDBG and HAP applications
- monitoring existing reinvestment programs
- obtaining individual lender commitment
- reinforcing relevant legislation
- investigating the mortgage market

This guidebook tells you how to collect, analyze and present disclosure data for these and other purposes. Five specific applications are described in the text as examples. Each example is followed with a case study (sometimes more than one) which can be referred to for analysis and guidance in developing reinvestment strategies in your own local area. It is hoped that the guidebook will encourage you to design other innovative uses for disclosure data.

Key Provisions of HMDA

- Lenders must disclose the number, amount and location of original and purchased real estate loans.
- Disclosure must be reported annually, but there is no required form for reporting this information.
- Lenders must permit public examination and copying (on the premises) of reports.
- Reports must be available at the lender's home office and at one branch in each serviced metropolitan area.
- Lenders are not required to comply with mail requests for reports, and no federal agency collects reports.
- Reports are to be available within 90 days after the end of the lender's fiscal year.
- Each annual report must be available for a period of five years.
- Lenders are defined as banks insured by FDIC, savings and loan associations insured by FSLIC, and federal credit unions. Exceptions: lenders with assets less than $10 million, and lenders having no offices in census-defined metropolitan areas (SMSA's).
- State-chartered lenders may comply with state disclosure laws instead of federal, if they are granted permission to.

- Reports are classified geographically by
  - total areas outside SMSA's where the lender has offices.
  - each census tract within each SMSA where the lender has offices.
- Types of loans to be reported are:
  - mortgages insured or guaranteed by FHA, VA or FmHA on 1-4 unit buildings
  - other (conventional) mortgages on 1-4 unit buildings
  - total home improvement loans
  - all loans on multi-family buildings (5 units or more)
  - all loans to non-occupants of 1-4 unit buildings

How HMDA Data is Different from Other Data on Mortgage Lending

- It can measure individual lender performance in a given census tract area. Title transfer data, the only other source of mortgage lending activity by geographic area, identifies transactions individually by location.
- It permits uniform analysis of large areas. Title transfer data, on the other hand, varies widely from county to county in coverage and accessibility.
- It includes data which title transfer records lack:
    - information on loans purchased on the secondary market
    - information on loans not secured by a mortgage.

What HMDA Data Does not Report

- activity of mortgage companies who originate FHA and VA mortgages
- non-real estate credit activity
- overall picture of the mortgage market in a given area

Data from Other Sources

For best results, a combined use of HMDA data and other information sources is recommended. Other sources are:

- disclosure data mandated by some cities and states
- population and income data by census tract
- title transfer data, which supplies location, transferee, transferor, sale price or transfer tax, mortgagor, type of property, and is usually classified by county
- realty broker sales records
- HUD records of FHA-insured mortgages
- local government data of various kinds: building or demolition permit data, land use surveys, school enrollment figures

Local and State Data

Of these sources, disclosure data from cities and states is in many ways the most useful, particularly from a long range point of view. A listing of the localities presently mandated to furnish such data is given in the appendix on charts which compare requirements.

In many cases, local studies have brought about the passage of disclosure legislation. In Illinois, the Governor's Commission on Mortgage Practices used title transfer data from studies made in Philadelphia, Baltimore and New York City to make a case for passage of the first state disclosure law in 1974. Other studies of title data and real estate industry data were used in Chicago in the same year to persuade the City Council to pass the first local selective deposit ordinance.

In the hearings which led to passage of HMDA, these studies, plus more from Los Angeles, Milwaukee, Cincinnati, Oakland, Washington, D.C., Cleveland, Indianapolis, and many other cities were used.

California disclosure regulations (which provide for the most extensive non-discrimination, anti-redlining and disclosure requirements in the nation) were adopted as a direct result of community groups using data showing discriminatory lending.

In Chicago and Minneapolis, disclosure data required by city ordinance is being used to expand the provisions of the original ordinance, and to require the city to tabulate and analyze the data as part of its own reinvestment program. In fact, in most places where anti-redlining laws have been passed, disclosure data played a vital part. Their continued use can lead to still further expansion of the technique. The more disclosure legislation there is across the country, and the more sharing of disclosure data there is among community groups, the stronger your own local case will be.

Appendix

This guidebook also includes an appendix which contains the following:

- sample of the form on which lenders report disclosure data under HMDA
- item-by-item explanation of the form
- text of HMDA regulations
- chart comparing local, state and federal disclosure requirements currently in effect
- Community Reinvestment Act (CRA) regulations
- excerpts from CRA examination procedures
- lists of federal regulatory HMDA enforcement agencies and case study contacts

CHAPTER 1

Applications of HMDA Data

The five disclosure data applications discussed in following are limited to local level uses directly related to a particular program or policy objective. However, they can be applied to similar situations in other communities, particularly when the user supplements lender disclosure data with other data which give different kinds of information, and when all of the gathered information is reinforced by regulations provided in the Community Reinvestment Act. The significance and potential of this Act will be discussed in the chapter on Application Number 5.

In a number of cases, disclosure data is collected and organized by one group and the analysis is then shared by many others, increasing the data's potential and scope even more. This technique can be kept in mind as the data applications described here are reviewed.

Mechanics

After you have selected an application to use in your own local situation, decide exactly what categories of disclosure data you will need to collect, and how you want to use them. Making a disclosure study is a complex task (especially if you have never done one before). Careful, advance planning is

important if you are going to make the most efficient use of limited financial and staff resources.

Collecting and Analyzing Data

- How many lenders will you study?
- How many areas will you study?
- What analysis technique will you use? Simple charts, tables and maps? Or computers?
- Will you need supplementary non-disclosure data from other sources?
- How will you present your findings?

Funding and Staffing

Estimate the person hours and money needed to carry out each job involved in the collection and analysis.
Be sure to budget in clerical support, overhead, travel time, supplies, use of computer time, and any miscellaneous items.
Recruit volunteers if necessary.

These are the major function categories to be budgeted:

- Visiting lenders to obtain HMDA reports
- Collecting information from other sources
- Recording collected information on maps, tables, or keypunch cards
- Analyzing and interpreting data
- Presenting data in a report or statement

Test Study

If you have never made a disclosure study, or if your resources are not sufficient for the task, do a small-scale test study first on one or two lenders only. Learn how to read title and mortgage documents, codes, and legal records. Tabulate and analyze the findings. Keep a record of how much time the work required, and what it cost.

Other Resources

It is common practice for community organizations to pool their resources and share technical skills. This is a sensible approach when a disclosure study requires staffing and funds beyond one organization's scope. Each of the organizations in the team can use the commonly collected disclosure data.

The Citizens for Community Improvement, for example, has affiliates in the Iowa cities of Waterloo, Des Moines, and Council Bluffs. Waterloo has shared its know-how and format from one title transfer study and one HMDA study with both other cities, since each were also interested in disinvestment issues. This same coalition of three separate cities also helped initiate state reinvestment programs and legislation.

In Chicago, there is the Metropolitan Area Housing Alliance, an umbrella organization composed of independent community organizations which work together on common problems. Similarly, Public Interest Research Groups are a network of non-partisan research and advocacy organizations directed and supported by university students. Disinvestment studies made by the group's District of Columbia branch were cited in hearings on HMDA. And a New York group produced a guide to help others understand federal and state disclosure data. As a result, Albany, Syracuse, Schenectady and Binghamton groups are now using disclosure data in their reinvestment programs.

Clearinghouse Organizations

These organizations collect disclosure data for passing on to individual groups. They also distribute information and contacts which can be helpful to local groups.

The Chicago-based National Training and Information Center, for example, collects HMDA and local disclosure data, and publishes a national newsletter containing information on local uses of disclosure data. Its staff work directly with local organizations. It offers a computer program which tabulates lender data into zip code or census tract groupings for neighborhood comparisons.

In states where there are state disclosure ordinances, data-collecting agencies there act as clearinghouses for that state's disclosure data. In California, for instance, the State Department of Savings and Loans collects loan-by-loan data from state-chartered associations and tabulates it by lender and by census tract. These tabulations, and the original computer tapes of individual loans, are available to local governments and community organizations.

Service Providers

These organizations often have resources and skills which a community group cannot afford. They can perform a comprehensive disclosure data study, or simply provide technical support. It is wise to shop around for this kind of service, since some providers operate at a level of sophistication which is often inappropriate for a community organization.

Studies contracted from these providers can be shared by a number of community groups if slight modifications are made which adjust to a given local situation. The Institute for the Study of Civic Values in Philadelphia, for example, did a study comparing the lending activity of institutions participating in a special anti-discrimination program with those who did not participate. This type of study could be used by any community group, regardless of its location.

The Pratt Institute in New York City provides different types of technical assistance to local groups and agencies involved in reinvestment programs. The Institute collects and tabulates data for a given community, then analyzes the lending patterns of specific lenders in that community. A number of local groups have used this data to challenge bank branch applications and mergers. Pratt also supplies students who conduct extensive property transfer searches, and holds workshops on the use of disclosure data. These workshops not only provide technical assistance; they also serve as forums where the many community groups and agencies working on reinvestment programs can share experience and ideas.

CHAPTER 2

Application Number 1: Analyzing Local Housing Markets

Comprehensive analysis of a given housing market can be an elusive task. Is a poor lending pattern really due to discrimination? Or is it simply lack of demand? Is it because of neighborhood characteristics, or the characteristics of an individual applicant?

In the same way, estimating the amount of lending to expect in a given area is equally difficult. The demand for loans depends on many variable factors -- individual households attempting to buy or sell, the terms and conditions for obtaining a loan, and the aggressiveness with which lenders market their lending funds.

However, analyses based on disclosure data -- even when they do not give a complete picture of the housing market -- do reveal that some lenders may consider racial change, income level, and age of the housing stock in a given neighborhood in meeting housing demand.

The three case studies which follow are good examples of how disclosure data can aid in investigating the existence of disciminatory lending practices.

Case Study: The National Training and Information Center Study of Eight Cities

Background:

The National Training and Information Center (NTIC) in Chicago is a nonprofit research and training center which serves community groups across the country. NTIC has participated in several disinvestment studies and provided support and technical assistance to many local organizations. NTIC saw the need to produce a national study which used HMDA data to investigate lending patterns in several major metropolitan areas in the nation. In 1978, NTIC produced *Perceptions of Risk--The Bankers' Myth: An Eight-City Survey of Mortgage Disclosure Data*. This study contained analyses of lending by major financial institutions in the metropolitan areas of Chicago, Cleveland, Columbus (Ohio), Hartford, Oklahoma City, Salt Lake City, Waterloo and Wilmington (Delaware).

These SMSAs were chosen to give a range of size and geographic distribution. The emphasis was to be on metropolitan-wide distributions and, in cases where all lenders could not be included, on the largest and most influential lenders. In all eight metropolitan areas, sample lenders held an average of seventy-four percent of the savings deposits held by all local banks and savings and loan associations.

The study was not intended to be definitive proof that particular lenders were guilty of unjustified geographic discrimination (redlining). The data presented, however, showed tremendously uneven distributions of lending in all the metropolitan areas; exactly the patterns that would be expected if redlining were occurring. Rather than "proof of redlining," the study was intended to encourage more informed debate on disinvestment by documenting the extent of disinvestment due to *all* causes, including redlining, if any.

Method:

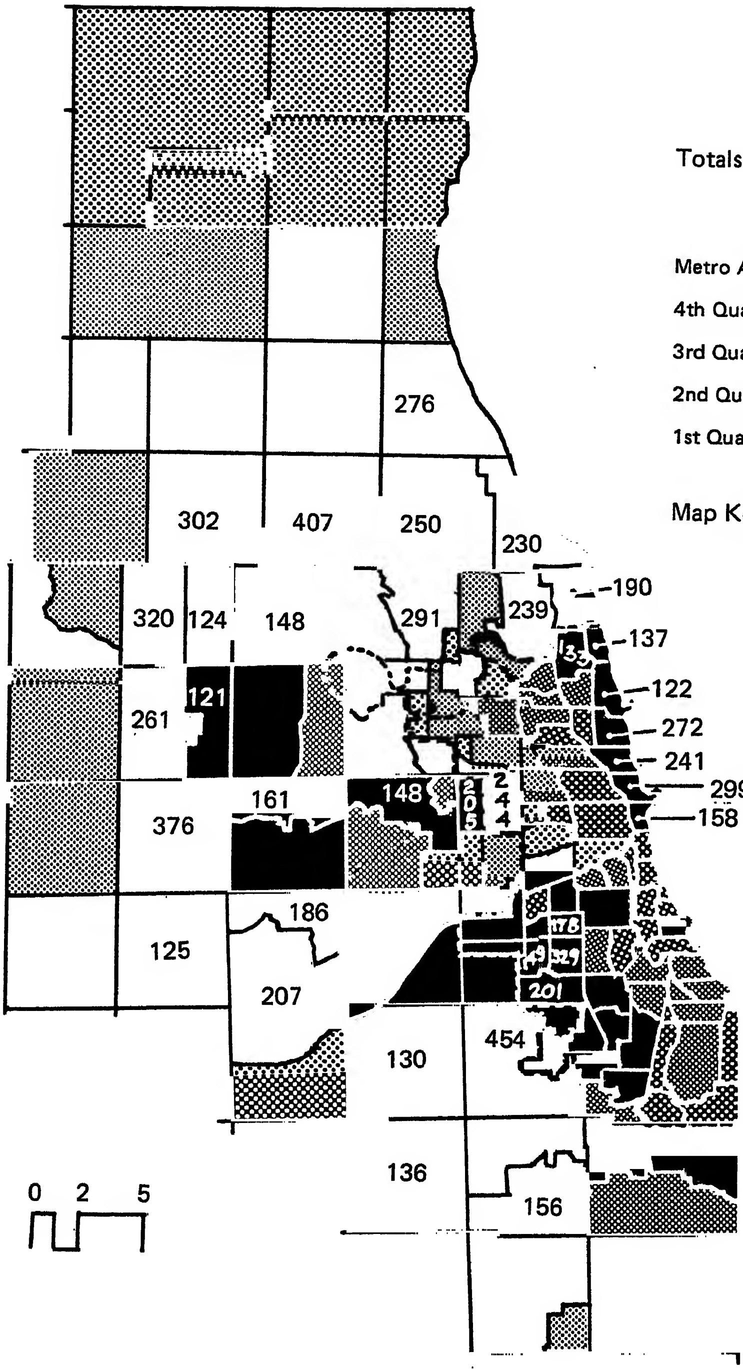
The HMDA data sent to NTIC was collected from the individual offices of lending institutions by organizations in the surveyed metropolitan areas.

Computer runs for each of the eight metropolitan areas were used to create a series of maps and tables. Maps of the distributions of conventional and government-insured (FHA, VA, FmHA) mortgages and home improvement loans were prepared.

All maps of lending data were presented in terms of quartiles. That is, all the census tracts in each metropolitan area were ranked in terms of number of each type of loan, and this ranking was divided into four equal parts. Each quartile, by definition, included one-fourth of the census tracts in the metropolitan area. Each map provided summary totals and percentages for each of the quartiles as well as the range in number of loans within each quartile. For example, the lowest quartile of tracts in the Chicago area, Map #1, are mostly in the City of Chicago with most conventional mortgages being made in the second ring of suburbs.

Eight Cities Case Study: Chicago

Map 1



Chicago 1976
number of conventional
home mortgages

Totals:

	Total Number	% Loans	% Areas	
Metro Area	12367	100.0	100.0	(143)
4th Quartile	7911	61.18	25.0	
3rd Quartile	3354	25.94	25.0	
2nd Quartile	1350	10.44	25.0	
1st Quartile	315	2.44	25.0	

Map Key: 137 4th Quartile (121–454 @

2nd Quartile (23–55 @

1st Quartile (0–22 @

In addition to disclosure data, the latest available data on racial and income characteristics were mapped for each SMSA. Also, deposit data by branch office was mapped for all offices of all institutions in the samples. This data is the best available indicator of geographic distribution of savings depositors, because no such data is available under HMDA.

Findings:

In all of the metropolitan areas surveyed, there were large areas which receive little conventional home mortgage credit. Table #1 (next page) shows percentage distributions of loans among the quartiles in all eight metropolitan areas. From the demographic data presented, and from conversations with locally active staff, it was clear that by no means all of the disinvested areas have other serious social or economic problems. It was also noticed that disinvestment of an area appears in many cases to be more closely related to racial characteristics than income characteristics of neighborhoods.

More surprising than disinvestment of inner-city neighborhoods was the finding of extreme concentration of conventional home mortgage lending in only a few suburban parts of each metropolitan area. The top quartile of zip codes or census tracts in the eight metropolitan areas averaged over sixty percent of the conventional home mortgages made. This heavy concentration of lending in very few areas raises a question of whether conventional credit is at least partially constricted throughout *most* parts of the metropolitan areas.

The survey was unable to report patterns of government-insured home mortgage lending at all in five metropolitan areas and only in a limited way in two others. This was because non-depository mortgage bankers who make the bulk of these mortgages are not required to disclose under HMDA.

Where data was available on insured lending by banks and savings and loan associations (Hartford and Salt Lake City), it was clear from the extreme concentration in the top quartile

Eight Cities Case Study:

Table 1

Summary of Lending Distributions

Percentage of Number of Loans by Quartiles

Metropolitan Areas:	4th Quartile	3rd Quartile	2nd Quartile	1st Quartile
Cleveland				
Conventional Mortgages	72.4%	20.0%	6.5%	1.0%
Home Imprvmnt. Loans	64.4	24.6	9.5	1.5
Oklahoma City				
Conventional Mortgages	72.2	17.6	8.3	1.9
Home Imprvmnt. Loans	60.1	25.1	11.9	3.0
Salt Lake City				
Conventional Mortgages	64.5	18.8	12.7	4.0
Home Imprvmnt. Loans	47.2	30.2	16.8	5.9
Governmnt. Insrd. Mort.	74.5	16.2	7.3	2.1
Chicago				
Conventional Mortgages	61.2	25.9	10.4	2.4
Wilmington				
Conventional Mortgages	60.7	24.5	12.1	2.8
Home Imprvmnt. Loans	51.1	27.9	15.9	5.1
Columbus				
Conventional Mortgages	56.7	25.9	13.0	4.3
Home Imprvmnt. Loans	47.3	27.4	19.9	5.4
Hartford				
Conventional Mortgages	49.9	28.9	18.0	3.2
Home Imprvmnt. Loans	54.4	28.1	14.1	3.4
Governmnt. Insrd. Mort.	72.2	21.6	5.6	0.6
Waterloo				
Conventional Mortgages	45.5	27.6	19.3	7.6
Home Imprvmnt. Loans	57.2	21.8	14.8	6.2

of the zip codes (72.2% and 74.5%) that such lending was geographically targeted. The Chicago data on lending by mortgage bankers reported under a state disclosure law was even more dramatic. The Chicago area data were reported in terms of loans per 100 housing units because data were available to construct an accurate housing inventory as of 1976. These data were not available for the other metropolitan areas, and 1970 census data would be very inadequate, especially in growing suburban areas.

In all three metropolitan areas for which insured mortgages were surveyed, urban neighborhoods receiving such mortgages received extremely few or no conventional mortgages, clearly demonstrating the kind of geographic concentration that has been associated with decline in many cities.

Data on savings deposits by office location were presented as a rough indication of geographic distribution of depositors. While the available data do not allow definite geographic location of depositors, some reasonable inferences can be made. For example, disinvested neighborhoods often have local branch offices with high levels of savings deposits. Areas receiving very high levels of real estate credit often have many offices but few savings deposits.

NTIC's findings on geographic distributions of deposits were not entirely conclusive due to the mixed quality of the data. But it was felt that there were strong indications that much of the savings deposit base of lending institutions is generated in neighborhoods where conventional home lending is low. This finding has significance in assessing lenders' responsibilities to their traditionally depositor-defined service areas.

Case Study: Disinvestment in Northwest Philadelphia

Background:

The Northwest Community Housing Association of Philadelphia (NCHA) is a non-profit, public interest community-based research organization of Philadelphia's northwest side. It is particularly close to the community organizations of that area and makes its services available to them. It has been addressing the redlining issue since 1972. NCHA produced one of the early landmark studies of disinvestment, "*Mortgage Disinvestment in Northwest Philadelphia*"

Method:

The study compared the flow of mortgage funds in two sections of Philadelphia, the Northwest section and the Northeast section. These two sections were comparable in terms of land use patterns, types of dwelling units, age of housing stock, and percentage of owner-occupied housing. The study selected a random sampling of properties sold each year from 1960 to 1972 from a real estate directory which listed both the sale price and the mortgagee for each transaction. The researchers compared rates of mortgages which were granted by institutional lenders, such as savings and loan associations and banks, against rates of mortgages granted by mortgage companies. The rate of loans granted by depository lenders was taken as an indicator of the flow of conventional funds.

Findings:

The researchers found that the percentage of mortgages granted in the Northwest area by institutional lenders had decreased from seventy-three percent in 1960 to twenty percent in 1970. During the same period, the percentage of mortgages granted in the Northeast area by institutional lenders fluctuated between a low of seventy percent to a high of eighty percent.

In an attempt to explain the variation in the flow of conventional mortgage funds, several variables that have traditionally been associated with high mortgage risks were drawn from the 1960 and 1970 census reports for these areas. These included: median income, level of education (measured both by median school years completed and by the percentage of high school graduates), occupation (divided into three classifications from white collar to laborers), and levels of homeownership. Comparisons were made between the two areas both for the same variable at the one point in time and for changes in the variables from 1960 to 1970. Changes in housing value were also calculated from census reports, but since these values are based on respondents' opinions and not upon actual sales, the samples of sales from the two areas were also used.

Results:

Results of the analysis showed that ownership rates in the areas were comparable. Also, occupational levels remained substantially unchanged within each area, though the Northwest area continued to maintain a larger percentage of white collar workers. Income and education levels changed. Both of these levels were higher in 1960 in the Northwest area and, in both cases, the Northwest area had the largest gains. These results would normally suggest a trend for the Northwest area to be a more desirable, not a less desirable, place for conventional lending activities.

Both areas experienced increases in housing values. Using census data, the Northeast area had a thirteen percent increase and the Northwest area had only a one percent increase. But the analysis of actual sales prices during the same time (1960 through 1969) showed that both areas had substantial increases. In the Northeast, these increases were forty-five percent for detached homes, twenty-nine percent for semi-detached and twenty-seven percent for row houses. In the Northwest, these increases were thirty-one percent for detached homes, twenty-four

percent for semi-detached homes and twenty-seven percent for row houses.

However, if one looks at the increase prior to 1966, the year when conventional lending activities in the Northwest dropped to only half of all sales, we see that increases for row houses and detached homes are the same for each area, eight percent and fourteen percent respectively. Prices of semi-detached homes actually increased more in the Northwest area than in the Northeast area, seventeen percent compared to eleven percent. The tendency for values in the Northwest area to increase at a slower rate than in the Northeast area seems to have developed only after reduced lending by conventional lenders.

The single factor which seems to explain this disinvestment is the change in racial composition of the Northwest area between 1960 and 1970. From 1960 to 1970, the nonwhite population of the Northwest area increased from eighteen percent to forty-six percent. The Northeast, however, remained segregated, with the nonwhite population increasing from only .03 percent of the total population of the area in 1960 to .16 percent in 1970.

The conclusion of this study is that, given the evidence reflecting conventional disinvestment in the Northwest area and investment in the Northeast area, institutional lenders in Philadelphia seem to have been considering racial composition in their mortgage underwriting.

Case Study: The Baltimore Mortgage Market Study

Background:

The Home Ownership Development Program is a city agency responsible for developing and expanding home ownership for moderate- and lower-income residents. In 1973, this agency produced a report called *Home Ownership and the Baltimore Mortgage Market*. The report was based on a 100 percent sample of all real estate transactions for Baltimore city (1970-1972) and for Baltimore County (1971), as listed in Lusk's *Maryland Real Estate Guides*. This source gives data on all transactions, including the lender, the location of the property, the sale price of the property, the amount of the mortgage, and the interest rates. In addition, the report used census data to define the social and economic characteristics of the census tract areas in the city of Baltimore.

Methods and Findings:

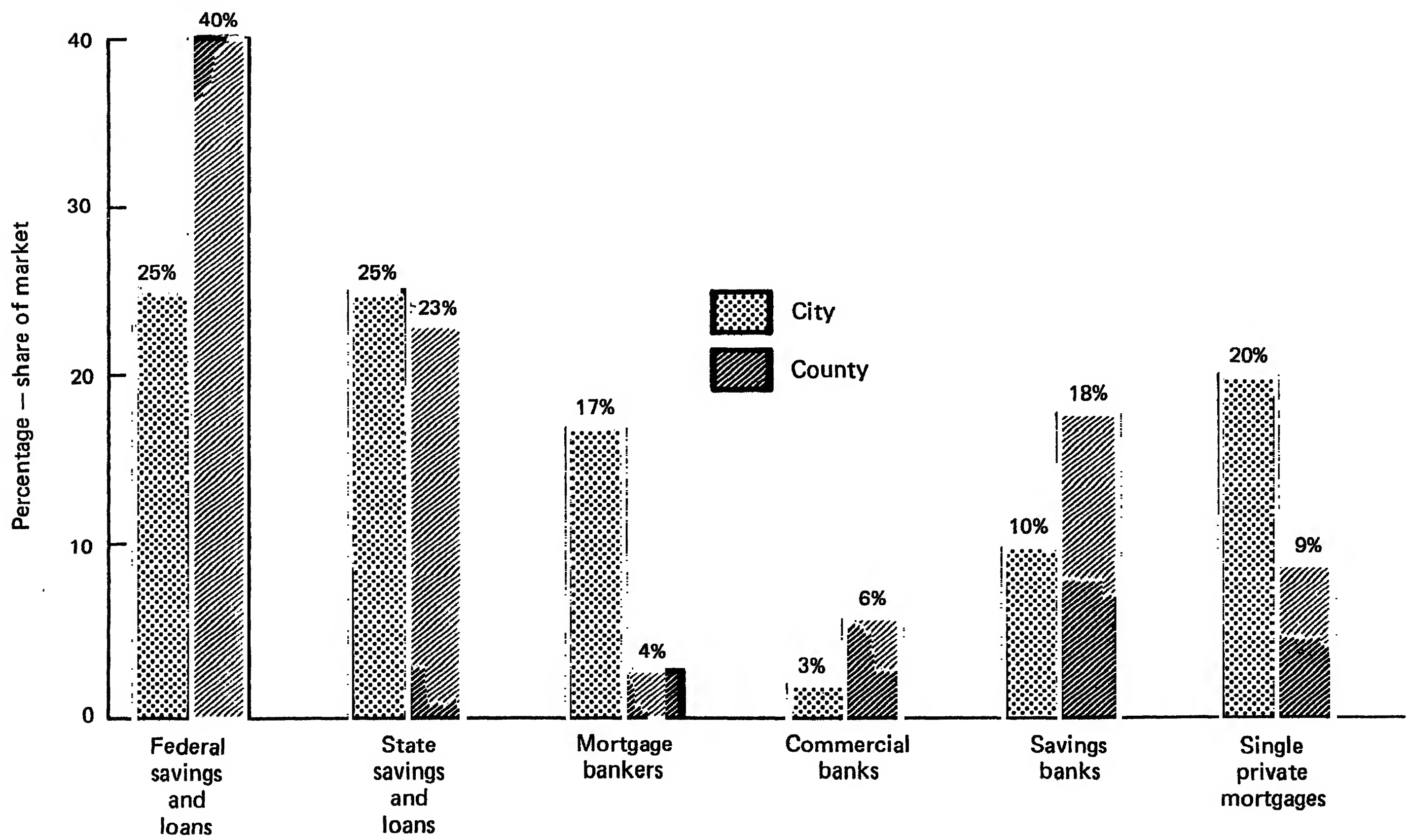
The study found that the participation of various types of lenders in the housing market was markedly different for the city and the county. Table #1 (next page) shows a comparison of lending shares in the market for five different kinds of lenders and for individual private mortgages for the city of Baltimore and Baltimore county. Conventional lenders (especially federal savings and loans, commercial banks and mutual savings banks) had much larger shares of the suburban market than of the city market. State savings and loans were the only conventional institutions which had about the same levels of lending in both city and suburban areas. For mortgage bankers (dealing largely in FHA lending) and individual private mortgages, the patterns were reversed, with the city receiving the larger shares.

Financial Neighborhoods

By allocating the lending data for 1970-1972 within the city by census tracts, the study uncovered patterns and concentrations of lending by these different types of lenders within as well. By mapping lending activity, the authors of the study could identify at least six types of "Financial Neighborhoods."

Baltimore Case Study: Table 1 Institutional Share of Mortgage Market

Baltimore City & Baltimore County - 1971



(Reproduced from: The Home Ownership Development Program, *Home Ownership and the Baltimore Mortgage Market.* Baltimore: City of Baltimore, 1973)

A "Financial Neighborhood" is a section of the city where certain financial types are concentrated. Reproducing the definitions from the study, these neighborhoods are:

(1) Federal/Savings--areas in which federal savings and loan associations and savings banks mortgaged a large proportion of total sales and concentrate their lending.

(2) Federal/Savings--areas in which federal savings and loan associations and state savings and loan associations mortgage a large proportion of total sales and concentrate their lending. Although cash sales were relatively high in these areas, they were not deemed as significant since cash sales were fairly high throughout the city.

(3) High Turnover FHA/Mortgage Bankers--areas where FHA and mortgage banker activity accounted for a high proportion of sales and where turnover was high (over five percent--the city average of five percent rate of properties sold in one year is considered average).

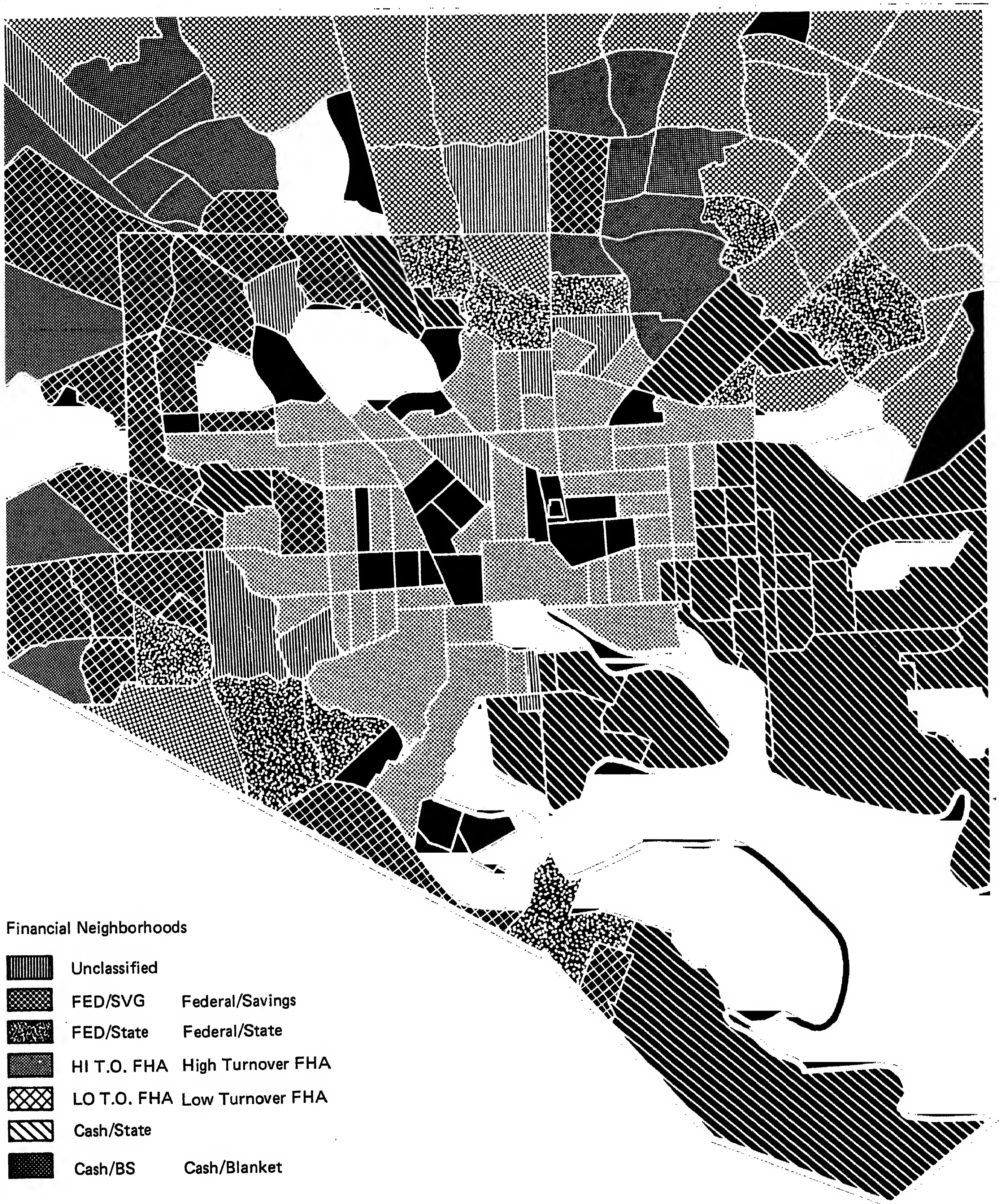
(4) Low Turnover FHA/Mortgage Bankers--areas where FHA and mortgage banker activity accounted for a high proportion of sales and where turnover was low (under five percent).

(5) Cash/State--areas in which cash sales and state savings and loan association mortgages accounted for a high proportion of sales. In this instance cash sales were considered significant both because cash activity was so high above the city average (thirty-seven as opposed to eighteen percent) and because of the serious lack of conventional lending activity.

(6) Cash/Blanket--areas in which cash and blanket sales accounted for a high proportion of sales. Cash sales were considered significant here for the same reason as in the Cash/State areas.

Each census tract in the city was assigned to one of these classifications (if there were enough loans) and the results were mapped. Map #1 (following page) shows how, as one moves from the center of the city towards the suburbs, the financial neighborhoods change from Cash/Blanket to Federal/Savings. The financial neighborhoods were also broken down by selected socio-economic characteristics. Table #2 presents this analysis.

Baltimore Case Study: Map 1



Note: Uncolored tracts are not included in calculations because they either, 1. had no population, 2. were in institutional use with no permanent population, 3. had such few transactions or such low turnover as to be deemed insignificant, 4. did not fit any neighborhood classifications.

(Reproduced from: The Home Ownership Development Program, *Home Ownership and the Baltimore Mortgage Market.* Baltimore: City of Baltimore, 1973)

Baltimore Case Study:

Table 2

Socio-Economic Characteristics

Average Share of Market*
(Percentage of Total Shares)
1970-72

Financial Neighborhoods	No. of Tracts	Mtg. Banker	Fed. S&L	Svgs. Banks	State S&L	Cash Sales	Blanket Sales	FHA	Avg.% Turnover	Avg. Fam. Income 1970	%Home Own. 1970	%Blk. 1970	%Pov. 1970	Avg. Sales Price 70-72	Percent Increase in Sales Price '70-72
Fed/Svgs.	26	4	30	15	20	13	5	9	4	14,700	66	5	3	19,700	26
Fed/State	11	7	24	5	19	23	10	12	5	10,600	54	14	7	11,000	25
High T.O.FHA/MB	17	29	19	9	14	12	5	37	8	11,600	53	34	6	11,800	18
Low T.O. FHA/MB	21	23	17	4	13	16	9	29	4	10,200	48	70	8	10,100	13
Cash/State	31	2	8	1	37	32	14	4	4	9,300	64	7	9	7,000	14
Cash/Blanket	49	1	3	0	10	37	37	2	3	7,400	30	63	24	4,100	23
For all city census tracts	201**	11	15	6	18	24	15	15	5	8,700	44	47	14	10,200	21

Averages will not necessarily total 100% as mortgages given by commercial banks and private sales, because of their small numbers, are not included.

*All figures except average Family income, %Home ownership, %Black, and % Poverty were compiled from the Lusk Reports. Average family income, % Home ownership, % Black and % Poverty were taken from 1970 U.S. Census. (Poverty is defined by the U.S. Census Bureau and is based on family size and income. For a family of four in 1969 the poverty level was $3,745).

**Tracts in financial neighborhoods do not total 201 because several tracts were omitted from the study. See footnote on following page.

(Reproduced from: The Home Ownership Development Program, Home Ownership and the Baltimore Mortgage Market. Baltimore: City of Baltimore, 1973)

Results

The overall conclusion of the study was that the city of Baltimore received proportionately fewer conventional loans in relationship to the total market than the county and that within the city, certain neighborhoods were characterized by cash sales, private mortgages, and FHA lending.

Another interesting finding was that more than three-quarters of the mortgages in the city of Baltimore were made by only one-quarter of the lending institutions in the city. These institutions primarily served those neighborhoods which were predominantly white and whose income, average sale price, and percentages of home ownership were in excess of citywide averages.

Black neighborhoods in Baltimore were found to be generally neglected by conventional lending institutions. It was determined that within the same income groups, the percentage of the market financed by conventional sources decreases as the percentage of blacks increases.

Finally, the study looked at trends within the city from 1970 through 1972 and concluded that there was a strong indication that the city, as a whole, was getting an increased share of conventional lending. However, this trend did not seem to apply to the central city and black neighborhoods.

Application Number 2: Negotiating with Lenders

When community organizations and local governments bring suggestions or grievances to lenders for negotiation, disclosure data can be used to validate and reinforce the community's position. Disclosure data is a bargaining tool with substance, because it proves that incidents of discrimination are not isolated, but part of a larger pattern. Before HMDA, local groups and officials had difficulty substantiating their claims of discrimination and neglect.

Suggested objectives to work for in such negotiations are:

- establishment of fair loan-review processes
- appointment of community lending officers
- financing of special projects
- provision of funds to community organizations
- agreements to make home improvement loans

Case Study: Northwest Bronx Community and Clergy Coalition (NWBCCC)

Background:

Unlike many multi-issue community organizations involved in the issues of redlining and reinvestment, the communities that make up the Northwest Bronx Community and Clergy Coalition (NWBCCC) are largely multi-family rental unit buildings (about eighty percent tenants).

NWBCCC's reinvestment strategies developed from tenant efforts to pressure landlords to maintain their buildings, which are mostly six-story walk-ups. The community group approached local banks that held the mortgages on buildings that were not being adequately maintained. They urged the institutions to enforce the "good repair" clause of the mortgage contracts. Further, they urged banks to make improvement loans where necessary to assure maintenance. At the same time NWBCCC began analyzing data available under the HMDA and New York disclosure laws to determine the pattern of lending by savings banks located in the Northwest Bronx.

Methodology:

Since the availability of New York State "G107" disclosure data, NWBCCC has concentrated on the records of individual lenders. Their surveys continue to focus on the Northwest Bronx in great detail. The detail of their analyses is due to the fact that their constituent organizations cover relatively small areas and each is concerned with monitoring local performance of lenders.

Findings:

NWBCCC's study found that savings banks located in the community were receiving a majority of their deposits from the Northwest Bronx, yet were reinvesting few mortgage and home improvement loans. NWBCCC findings include the following:

1. The $730.6 million-deposit Bank A had written off 167 abandoned properties in the northwest Bronx in the past five years;

2. The $722.3 million-deposit Bank B, Scarsdale, New York, in 1976 approved no new mortgages in the northwest Bronx at the same time it made 122 out-of-state mortgages for more than $13 million; and

3. The $457.6 million-deposit Bank C, the Bronx, charged discouraging and unreasonable nonrefundable fess of $100 for homeowners and $300 for apartment buildings just to apply for a mortgage.

Results

An agreement summarized here and contained in full in the Appendix was signed by representatives of the NWBCCC Reinvestment Committee and Bank B.

NWBCCC REINVESTMENT COMMITTEE AND BANK B

4/20/77

1. A Bank, upon presentation of documented evidence, will enforce the "good repair clause" of mortgage on a landlord where building has a certain number of outstanding building violations.
2. If landlord does not have funds to do repair work, a bank will assess the landlord with refinancing or offer a temporary debt moratorium on mortgage payments.
3. All banks will disclose which properties they hold mortgages on and allow community groups to review loan transactions quarterly.
4. All banks will disclose the amount of deposits by residents by census tract or zip code.
5. Banks will issue mortgages/loans in the Northwest Bronx in the same proportion as their deposits in the area.

CHAPTER 4

Application Number 3: Challenging Lender Applications for Regulatory Approval

With disclosure data, there are grounds for challenging a lender's application for regulatory approval. If the lender's record shows past failure in meeting regulatory criteria of serving the "convenience and needs" of the lender's area, then the lender might be pressured into certain activities in order to gain approval.

Combined with the support of the 1977 Community Reinvestment Act, disclosure data used in this way can be effective. Suggested objectives are:

- to attach conditions to an applicant's proposal
- to force withdrawal of applications when lenders are uncooperative
- to involve the regulatory agencies in local issues

The following two case studies document community organizations' and local governments' experiences using disclosure data to challenge lenders applications for branches (in the Evanston Housing Coalition case study) and acquisitions by merger (in the Missouri ACORN Case Study).

Disclosure data could also be used to challenge branch closings and the opening of new financial institutions.

Case Study: The Evanston Housing Coalition

Background:

This study describes the organized efforts of the Evanston Housing Coalition, the specific activities of one member organization (the Evanston Chapter of the League of Women Voters), and the Evanston City Council to become actively involved in applications of financial institutions seeking to open offices within their city. The study is unique both in the thoroughness of the organizing effort and the fact that a municipal government became an active participant in evaluating branching applications.

The organizations involved set up an ongoing process which can be used for reviewing any future branching applications as well as for evaluating the preformance of the financial institutions already located in Evanston. This case study involves the activities around two institutions seeking to open branches in Evanston, one unsuccessfully and one successfully.

The Evanston Housing Coalition is a coalition of about eighteen housing groups across the city. The Coalition first became an active force in the city in the early 1970's when it began working with the newly created Human Relations Commission on open housing issues. More recently it has been a major organization participating in the development and monitoring of the city's Community Development Block Grant activities.

In March of 1976, the city manager of Evanston notified the Evanston Housing Coalition that a major state-chartered savings and loan association, Institution A, was seeking to open a branch office in Evanston. Branching had only recently been legalized in Illinois, and this was the first institution seeking a branch in Evanston. Members of the Housing Coalition who had been following redlining activities and issues in Chicago were familiar with this institution, and had heard that it specialized in FHA loans in racially changing neighborhoods and that it had a poor record of servicing those loans properly. Moreover, the Coalition believed that Evanston was the kind of community where several institutions would eventually want to open branches. The Coalition

felt that they should become involved in this first application for two reasons: they were concerned about this lender's dedication to sound lending in the community, and they felt that they should establish a precedent that lenders seeking to move into Evanston should meet community service standards.

Methodology:

The League of Women Voters in Evanston took the lead in this research and in handling the official requirements of participating in a branch application review by the State Savings and Loan Commissioner. The League has a long tradition of research and participation in Evanston housing issues and is highly respected by the local government.

The city manager asked the Coalition if they could do some research on Institution A and provide some information on whether the city should itself become involved with the application process. The Housing Coalition agreed, and the Coalition assembled and analyzed both disclosure and non-disclosure types of data for use in discussions with the city and representatives of the lending institution. The housing coordinator for the League of Women Voters represented the Housing Coalition in these activities.

The research which the Housing Coalition carried out was part of their overall strategy to secure equal opportunity commitments and programs from all lenders in the city. The Housing Coalition developed a five-point evaluation process which they expected all lenders to pass. The five areas were: (1) comparison of patterns of savings deposits and loans and investments; (2) foreclosure rate and pattern; (3) extent to which the office would, or does, provide full thrift and credit services; (4) commitment of the lender to rehabilitation and renewal programs; and (5) efforts of the lender to take affirmative action in equal opportunity hiring and promotions.

Data Used

Aside from disclosure data, the Coalition sought data on the type of physical plant the lender had or planned to open, reports from State or Federal regulatory agencies on the general performance

and standards of the lender's service, the race and sex of the employees and officers of the institution, and the number, location, and scale of investment in private or government sponsored renewal and rehabilitation projects.

The disclosure data used were from the Illinois State Disclosure Law. This law provides for disclosure of an institution's whole portfolio of loans, as well as the most current year's activities. The Coalition had planned to do a simple analysis of the number and type (FHA, VA, or conventional) of loans by ZIP codes for the entire Chicago metropolitan area for all loans in Institution A's portfolio. They had secured a copy of major social and economic characteristics by ZIP code from the 1970 census. They planned to relate lending patterns to race, income, age of housing stock, and central city and suburban locations.

The Housing Coalition gained access to a computer print-out from the Chicago Area HUD office which tracks the status of FHA loans by mortgagee. From these records, the Coalition was able to assemble data on FHA foreclosure rates both in the Chicago area and in Evanston itself.

The Coalition had to depend upon lenders volunteering to provide data on deposits. Institution A did not provide such data. The Coalition considered the failure of an institution to provide data as an indication of lack of concern for the community.

Finally, by tracking down everyone they could find at the agencies which had some regulatory power over Institution A, HUD, the Federal Savings and Loan Insurance Corporation of the Federal Home Loan Bank Board and the State Savings and Loan Commissioner, as well as seeking out community groups which had dealt with Institution A before, the Coalition was able to secure a copy of an internal HUD report investigating charges from community groups that Institution A and several other HUD-approved mortgagees were improper servicing practices.

Findings:

A full-scale analysis of lending patterns for Institution A was never completed because initial findings made it unnecessary. By examining the overall record of the institution's portfolio, the League's researcher found that in the city of Chicago, seventy-one percent of its loans were either FHA or VA. In the industrial satellite city of Waukeegan, ninety-one percent were FHA or VA. In Evanston itself, where the housing market is strong and growing, thirty-six percent of the loans were FHA or VA. In addition, the researcher secured a copy of the internal HUD report on Institution A which defined a wide range of servicing abuses and unacceptable accounting practices. The researcher also found that the institution now made very few new mortgages but instead was heavily involved in buying and selling mortgages in the secondary market. Finally, HUD statistical reports from the mortgagee reporting system showed that the institution had one of the highest rates of FHA foreclosures of any HUD approved lender operating in the Chicago SMSA. (See Figure #1)

The Housing Coalition did not pursue analysis of disclosure data any further since they felt at this point that the information they had showed that the institution was not the type of lender which would benefit Evanston and its specialized needs for lending.

Results:

The information which the League's housing coordinator had assembled was presented to representatives from Institution A in a special meeting with the city manager of Evanston. During the course of this meeting representatives of the institution conceded that their prime aim in seeking a branch office was to secure deposits for their secondary market operations. Indeed, they planned to open one of their typical offices which resembles a department store more than a lending institution, as the lobby space is filled with premiums used to lure depositors.

The city manager and several city alderpersons were so concerned with this prospect that this information, and the information gathered by the Housing Coalition, was presented to the

EVANSTON CASE STUDY
Figure 1

SUMMARY OF OBJECTIONS TO INSTITUTION A'S ENTRY INTO EVANSTON
LEAGUE OF WOMEN VOTERS OF EVANSTON May 12, 1975

Institution A, with branches in Shaumburg, Park Forest, and Niles, has filed an application with the Office of the Commissioner of Savings and Loan Associations to open a facility or branch in Evanston in the vicinity of Sherman Avenue and Davis Street. Evanston Federal Savings and Loan Association has filed a formal objection to Unity's application claiming there is no need for another savings and loan facility in Evanston. A hearing of Institution A's application and Evanston Federal's objection must now take place on June 14th and the City of Evanston and the Evanston League of Women Voters have both filed requests to appear at that hearing and voice their objections to Institution A's opening a facility in Evanston. Briefly, the basis for those objections is as follows:

Institution A was cited in the secret HUD report of July, 1975, known as the Moss Report, for its questionable business practices in originating and servicing government-insured home mortgages in Chicago. The practices criticized were:

--failure to provide HUD with enough accurate and complete information to determine if prospective FHA homebuyers could in fact meet the monthly payments and maintain a home
--failure to help homeowners with FHA insured loans avoid foreclosures
--faulty collection policies
--failure to follow HUD guidelines on forebearance
--failure to protect foreclosed property against destruction by vandals and weather while charging HUD for such services.

Examination of Institution A's disclosure report which lists all of the mortgages they held as of December 31, 1975, revealed the following:

Chicago:

Conventional: $20 Million (approx.)
FHA/VA : $50 Million (approx.) (71%)
Home Improvement:
Conventional: 203 Loans @ $363,000
FHA/VA : 610 Loans @ $2,002,000 (75%)

Evanston:

Conventional: 14 Loans @ $363,000
FHA/VA : 8 Loans @ $100,000 (36%)
Home Improvement:
FHA/VA : 2 Loans @ $4,000

Wauke-an

Conventional:	53 Loans @ $1,081,000	
FHA :	293 Loans @ $5,013,000	(91%)
VA :	242 Loans @ $5,227,000	

Those groups wishing to join in our objection to Institution A's entry into Evanston should file a request to appear at the hearing with:

Mr. Timothy Griffin
Savings and Loan Commissioner
Office of the Savings & Loan Commissioner
160 N. LaSalle
Chicago, IL 60601

full city council. Subsequently, the city council took an unprecedented step and passed a resolution placing the city officially in opposition to the planned branch application.

<u>Other Efforts</u>

The League sent a circular to community groups and officials in Evanston outlining and summarizing the League's official position on the issues. The Housing Coalition saw to it that community groups and public officials sent written objections to the Office of the Savings and Loan Commissioner. Most were sent by courier. Twenty-six letters of protest were sent to the Commissioner from community groups, public agencies (such as the Human Relations Commission) and public officials (including the city manager and corporate counsel). Acting on behalf of those who had registered protests over the branching application, the League of Women Voters sent the Savings and Loan Commissioner an official notice summarizing the objections to the application and listing those who had decided to make public statements at the branching hearing.

Shortly after these activities, Institution A withdrew its branching application for Evanston. This was quickly followed by another application to branch into Evanston filed by a different Chicago savings and loan institution. Having set the stage and the precedent for intervention in the first application process, both the city and the Housing Coalition were eager to put this lender through the same analysis.

<u>A Second Branch Application:</u>

When Institution B filed for a branch in Evanston, they were aware of the activities surrounding Institution A's application. They, too, were a state-chartered institution. They realized that they would have to survive the same scrutiny. Unlike Institution A, representatives of Institution B, over a period of several negotiations, provided both data on savings deposits and foreclosure rates, as well as data onthe sex and race of its employees and officers, and information on its participation in several lower and mixed income housing developments both inside Chicago and in suburban areas.

A more thorough analysis was made of Institution B's lending data, partly because they were primarily engaged in conventional lending and not as extensively engaged in the secondary market. In addition, researchers could find no reports indicating that Institution B was not generally servicing its loans properly.

Institution B was able to show that it had been involved in financing racially and economically mixed housing developments in suburban areas. They were also able to show that employees and officers included minorities and women.

In many cases, Institution B seemed to have lending patterns which supplied areas from which they received significant amounts of deposits. However, in some older neighborhoods in Chicago where community groups had accused lenders of redlining, the institution seemed to have sizeable deposits but listed only FHA or VA lending. Overall, rates of loan amounts to deposit base were calculated from this deposit and loan portfolio data. In the area around Chicago's downtown (the Loop), which is characterized by high income apartments and condominiums, Institution B was lending $4.29 for every dollar on deposit, while in the rest of the city neighborhoods, it was lending only $0.25 for each dollar on deposit.

Results

Officials of Institution B were willing to meet both with the Evanston Housing Coalition and the Evanston city manager. While they were proud of their investment in lower-income housing developments, they admitted that they had never analyzed their regular single-family portfolio the way the Housing Coalition had and they were surprised at the disparities uncovered. They were especially concerned with the fact that their overall lending did not seem to match the open philosophy expressed in their selective special investments in lower-income housing developments. They were dismayed by the ratios of loans to deposits in the Loop and other neighborhoods in the city and agreed with the Housing Coalition that their pattern of lending in Evanston census tracts seemed to avoid the predominantly black areas.

In response to criticisms of lending patterns, and after several negotiating sessions, Institution B signed an agreement with the Evanston Housing Coalition, providing periodic disclosure reporting of deposits, loans and foreclosures and providing data on the race and sex of its employees and officers. In addition, the agreement required Institution B to seek participation in local renewal and rehabilitation programs. As a result of this agreement, the city made no attempt to oppose Institution B's application. With no opposition from the city or community groups, the institution was granted its branch office.

Conclusion:

The branching interventions by the Evanston Housing Coalition are typical in some ways of the activities of many community groups across the country. What makes the Evanston Housing Coalition activity unique is the participation of the city government as an active force intervening in branching applications. There is no reason why other governments cannot also participate in this process, especially since the Community Reinvestment Act of 1977 is designed to link service to moderate and lower income groups and neighborhoods with the privileges of branching and chartering.

Case Study: Missouri ACORN (St. Louis)

Background:

ACORN (Association of Community Organizations for Reform Now) was the first group to challenge an application for regulatory approval on the basis of the Community Reinvestment Act (CRA). Bank A, a multi-bank holding company based in Kansas City, applied to the Board of Governors of the Federal Reserve System to acquire, by merger, a smaller holding company owning Bank B, the only bank in the Manchester-Tower Grove neighborhood of St. Louis.

Especially because there was some indication that the bank would be moved out of the neighborhood once the merger had taken place, ACORN wrote, in October of 1977, to the Federal Reserve Board. A formal protest emerged and requested that the board hold a public hearing in St. Louis so the issues involved could be more fully examined.

Methodology and Findings:

Using HMDA data, ACORN looked at all lending institutions in the St. Louis area and found that Bank B had made only ten percent of its loans in St. Louis. In addition, it was found that two banks affiliated with Bank A located in St. Louis had made only four percent of their loans within the city.

The basis of ACORN's argument was that in order to approve the merger application, the Federal Reserve Board would need to find that Bank A would *affirmatively* serve the need for mortgage, home improvement, and small business loans in the Manchester Tower Grove community. ACORN contended that this finding would be necessary under the Community Reinvestment Act. They argued that, on the basis of the past performance of banks owned by Bank A and the past performance of Bank B, there could not be an expectation of service of needs for housing and small business credit. On that basis, ACORN wanted to have Bank A agree to change its lending policy for these kinds of credit (*without* specific allocation of amounts or dictated terms) before

the merger could be approved.

The arguments ACORN made were supplemented by the findings of an HMDA analysis for all the banks involved. It showed very low percentages of loans in any urban area (except for one subsidiary of Bank A in a close suburb of St. Louis where middle-class reinvestment has become popular). In addition, comparisons with other lenders in similar areas showed the banks involved to be below average in their levels of investment. Title transfer data for the immediate neighborhood showed that there was an active market but that a vast majority of title transfers did not receive conventional financing at all. A series of surveys of home buyers, small businesses, and people involved in rehabilitation was used to demonstrate Bank B's present poor reputation as a source of real estate and small business credit. In addition, data was presented to support the contention that neighborhood property values were stable and likely to increase.

ACORN had asked for disclosure of additional information by the lenders but was refused. ACORN members did feel, however, that their case was sufficient to support the basic contention of a lack of affirmative effort to serve the low-to-moderate income community's credit needs.

Results:

The Federal Reserve Board, responding to the evidence presented, did in fact grant the request for a hearing. It was held in March of 1978 in St. Louis. At the hearing ACORN produced twenty witnesses who talked about the problems with Bank A, many of them involving cases that had not previously been put onto the record.

The hearing in St. Louis resulted in local publicity which probably increased awareness of the issues involved in the merger challenge. The challenge was made based on the Act itself and could not refer to the regulations which did not then exist. Without the regulations to interpret the rather vague wording of the Act itself, it was quite difficult to conclusively show noncompliance with CRA.

Now that final CRA regulations and detailed examination procedures have been adopted, future regulatory review of such challenges will have more definite standards to apply. Issues like those raised by ACORN are likely to get closer and more detailed consideration.

CHAPTER 5

Application Number 4: Creating Reinvestment Programs

The following two case studies are examples of successful use of disclosure data primarily because it was used by city officials, residents, lenders, and federal-agency branches to create reinvestment programs. Effective use of disclosure data often depends on the extent to which sources such as these are mobilized behind a given effort. When helpers of this kind actually originate a project, as in the two case studies here, chances for success become even better.

Case Study: South Shore National Bank

Background:

In 1972 the South Shore Commission, the major community organization in a lakefront Chicago neighborhood on the city's south side, organized a successful campaign to block a relocation attempt by the area's only bank, the South Shore National Bank. With technical assistance from the Adlai Stevenson Institute and the Center for Community Change, a neighborhood development corporation was set up which raised capital and bought the bank. The idea was to use a commercial bank as the backbone of a comprehensive program to stabilize and maintain the area.

In order to allow the bank's investment to be leveraged to the maximum extent, a series of studies was undertaken on residential and commerical markets as well as community institutions and social structure. The market studies focused on the flow of credit and financial resources into and out of the neighborhood.

The residential market studies identified the major economic problems of the area's housing, pinpointed the individual buildings which were most severely affected, and developed indicators that could be used to identify particular buildings that were likely to encounter problems. The bank then did rehabilitation feasibility studies for the most critical buildings.

Here is an example of how real estate financial data can be used in community-level reinvestment planning. The data in this case were used solely by the bank and community residents, but the methodology, process, and analysis applied to these data appear to be one of the best illustrations of the type of community development planning which can be done by local planning agencies and Community Development Block Grant recipients. Indeed, much of the information which those working with the bank collected (such as property title records, tax records, and foreclosures) is part of public record and can be tabulated and recorded by any local government.

Methodology

The bank was seeking some systematic data which would show what patterns of financing were related to what types of economic distress in the present housing stock. It obtained information on financial conditions of the properties including records of foreclosures and records on unpaid taxes, on taxes forfeited, and on taxes purchased by tax buyers.

A mapping of financial trouble (including selected blocks which were examined in detail) produced a visual documentation of certain blocks which had severe problems and blocks with similar land use and property types which had little or no signs of distress.

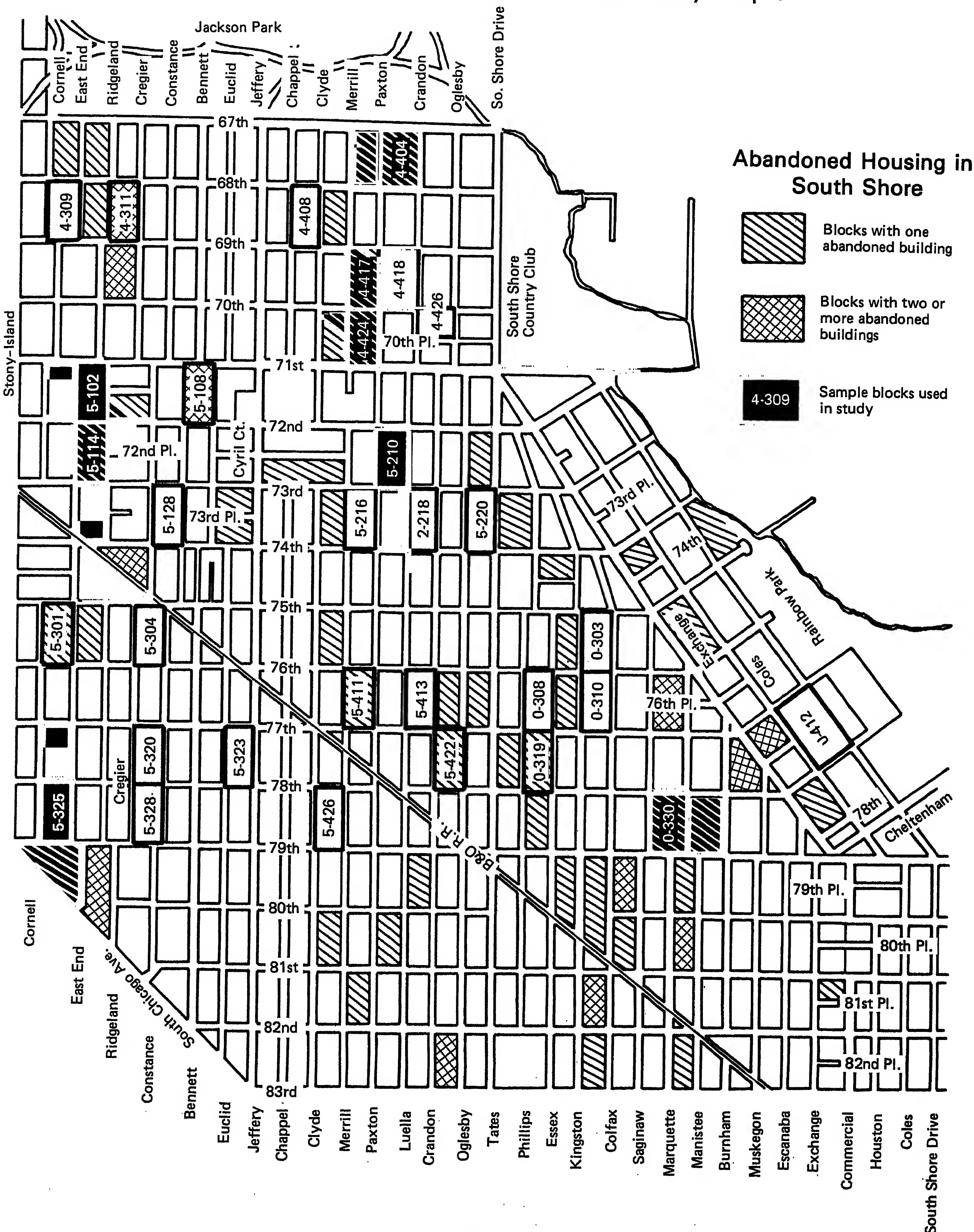
Findings:

In general, the bank found that the patterns of distress were distinctly different for properties with different numbers of dwelling units. It was clear from this initial analysis that the economics of single-family and multi-family housing were different and needed different strategies.

Single-family homes accounted for the majority of all foreclosures and abandonments, yet only 6.3 percent of the single-family homes had any distress during the 1968-1974 study period. On the other hand, there were ninety buildings with more than six units which showed distress, but this accounted for more than fifteen percent of the entire housing stock of South Shore. Fifty-three properties accounted for the severe distress in about ten percent of the community's housing stock and about seventy-five percent of all severely distressed dwelling units.

From this analysis of the data, and from the personal experiences and expertise of the bank's officers and board members, a housing redevelopment strategy was developed which focused financial resources and development efforts on two neighborhoods within the community which had concentrations of large apartment buildings. By using the data which had been collected, the bank

South Shore National Bank Case Study Map 1



could see that while there were problems with the single-family housing stock, these were related to FHA lending problems which the bank could not control and which were already subject to national reform efforts. The basic form of intervention on the single-family level was to actively market conventional home loans. Data gathered for 1975 suggested that the worst of the FHA foreclosure problems were over. Most of the turnover population was more stable. Finally, the worst of the recession was over and foreclosures were declining.

The major development strategy was aimed at the large structures which affected such a large segment of the housing stock. The bank aimed at a plan to find investors and use its development subsidiaries (which have only recently been established) to take over the worst of these properties and subject them to major rehabilitation and improvements. *The data which the bank used enabled them not only to define a category of properties which seemed to be the key to the overall condition of the community's housing stock, but it also allowed them to identify the particular individual properties (the fifty-three to ninety buildings) which accounted for the worst problems.*

Results:

Since the strategy was developed, it has taken shape in a variety of ways. One part of the bank's overall development strategy was to *hold community-wide forums* which presented an analysis of the various redevelopment and institutional problems in the community and sought citizen involvement in developing and taking part in interventions. Second, the bank began a program of *seeking out the larger institutional lenders* (life insurance companies and commercial banks) in Chicago to present to them the bank's overall development strategy and to seek financial participation.

The bank established a "Parkside Banker" who was in charge of a special *project to assemble market, individual property, and rehabilitation feasibility information for critical multi-family structures* and surrounding properties in the Parkside neighborhood

which had the largest concentration of individually identified distressed properties.

The bank, working with people from the University of Illinois College of Urban Sciences, launched a *special study of the management practices* of two large property manager in South Shore who seemed to control the majority of larger distressed properties in South Shore. This study was designed to see if management policies, or simply the economic realities of the housing market, led to their managing so many of the properties which were a blight in the community. The managers cooperated in the analysis, and even supplied individual financial records on many of the buildings. This, in turn, led to a study of how to adopt energy conservation to rehab programs, since energy costs were the single most important factor in these buildings' financial distress patterns.

Finally, the bank had taken an aggressive role in *working with public officials* attempting to develop insurance, lending programs, economic incentives, and regulations designed to increase the supply of capital and credit for purchasing, maintaining, and rehabilitating larger, old, multi-family properties.

Case Study: The District of Columbia Neighborhood Reinvestment Commission

Background:

The Neighborhood Reinvestment Commission was created by the D.C. city council to produce a Housing Finance Plan promoting home ownership among moderate-income residents, and to help design a D.C. Depository Law which would shift local government deposits out of the U.S. Treasury and to lenders with superior lending records in disinvested neighborhoods and above average records of employing minorities and women. These two major tasks had been recommended by the earlier D.C. Commission on Residential Mortgage Investment, which was created to investigate the disinvestment problem as a response to pressure from community organizations.

Both commissions had the support of the city council and at least a part of the local financial community. HUD's Community Development Block Grant program was a major funding source for the operations of the D.C. Commission.

Methodology:

The Commission on Residential Mortgage Investment collected data from all D.C. banks and savings associations. The information was by zip code, and included data on terms of mortgages, delinquencies, and foreclosures as well as number and dollar amounts. The "Base Line Survey" based on this zip code data also included rankings of individual lenders on the basis of their performance in the various neighborhoods and in D.C. as a whole.

It was seen that lending by other "nonconventional" lenders, such as mortgage bankers and private individuals, was needed to give a more complete picture of the market. Also, the wards of the city and their subdivisions, the Advisory Neighborhood Comission areas (ANC) were seen to be the most relevant units of analysis.

To overcome these and other limitations of the Base Line Survey and to more fully explore questions of demand, a second study was undertaken.

To get at underlying patterns, a series of social, economic, and housing variables were examined to determine what relationship or correlation, if any, each had with the distribution of mortgage loans by each type of lender. The high correlations should generally reflect some of the actual loan practices of different types of lenders.

Findings:

Table #1 lists each of the variables (1973 and 1975 turnover rates are included) in the vertical column, and their correlation with the distribution of loans for both conventional and nonconventional lenders in the horizontal column. Figures closer to 100% indicate a high correlation; plus (+) indicates a positive correlation, and minus (-) a negative correlation, or an inverse relationship between the variable and the loan distribution.

Nonconventional lenders showed a positive correlation with population size, percent black, number of households, number and percent of one- to four-unit housing, and income-to-price ratio. This means that as any of these variables increased, the percent of nonconventional lending in an ANC increased. Conversely, nonconventional lenders showed negative correlations with average income, average price, average loan amount, and the turnover rate. This clearly indicated that nonconventional lenders tended not to make loans to neighborhoods with high incomes and high-priced housing. Rather, they tended to make loans to neighborhoods that are highly populated, predominantly black, contain a large number of one- to four-unit housing, and have high income-to-sales-price ratios.

Correlations

Nonconventional and conventional lenders nearly always had opposite correlations for each variable except the number of

District of Columbia Case Study: Table 1

Correlation of Variables with Loan Distribution

(in percents)

	Loan Distribution by ANC					Loan Distribution By City			
	Non-Conventional Lenders	S&Ls	Commercial Banks	Conventional Lenders	Total Loans	Non-Conventional Loans	S&Ls	Commercial Banks	Conventional Lenders
1970									
Percent Black	-	-73	-89	-77	-67	+83	-56	-86	-78
1973									
Population	+72	-	-	-	+29	-	-	-	-
No. of Households	+51	-	-	-	+41	-	-	-	-
No. of Housing Units	+44	-	-	+34	+49	-	-	-	-
Percent of Units in 1-4 Unit Structures	+47	+33	-	-	+41	-	-	-	-
Percent of Homeowners	-	+58	-	+53	+53	-	+52	-	+42
Mean Income	-	+73	+74	+73	+54	-69	+71	+75	+86
Average Price	-42	+67	+76	+68	+50	-80	+64	+78	+81
Average Loan Amount	-45	+65	+72	+65	+45	-75	+65	+75	+82
Income to Price	+46	-	-55	-35	-22	+68	-	-63	-46
Turnover Rate	-	+45	+66	+50	+49	-50	-	+60	+34
1975									
Turnover Rate	-50	+27	+41	+28	-3	-3	+45	+46	+47

one- to four-unit housing in an ANC. Conventional lenders had strong correlations to ANCs with high incomes, high-priced housing, high percentages of homeownership, and high turnover rates. But conventional lenders also had a high negative correlation with percent black, and a moderately negative correlation with the income-to-sales price ratio. The surprising negative correlation of the income-to-price ratio with the conventional lenders seemed to show that they placed greater importance on lending to high-income families at the expense of moderate-income families with higher housing affordability.

Based on these correlations, a "disinvestment index" was developed that combined the socio-economic variables of each ANC in proportion to their importance to conventional lenders.

The closest single correlation with the disinvestment index rankings was the percentage share of conventional loans received by each ANC. This measure therefore was used as a relatively reliable indicator of disinvestment throughout the city: the lower the percentage share of conventional loans received by an ANC, the greater the probability of disinvestment. Map #1 shows the locations and degree of disinvestment of all the ANCs in the District of Columbia.

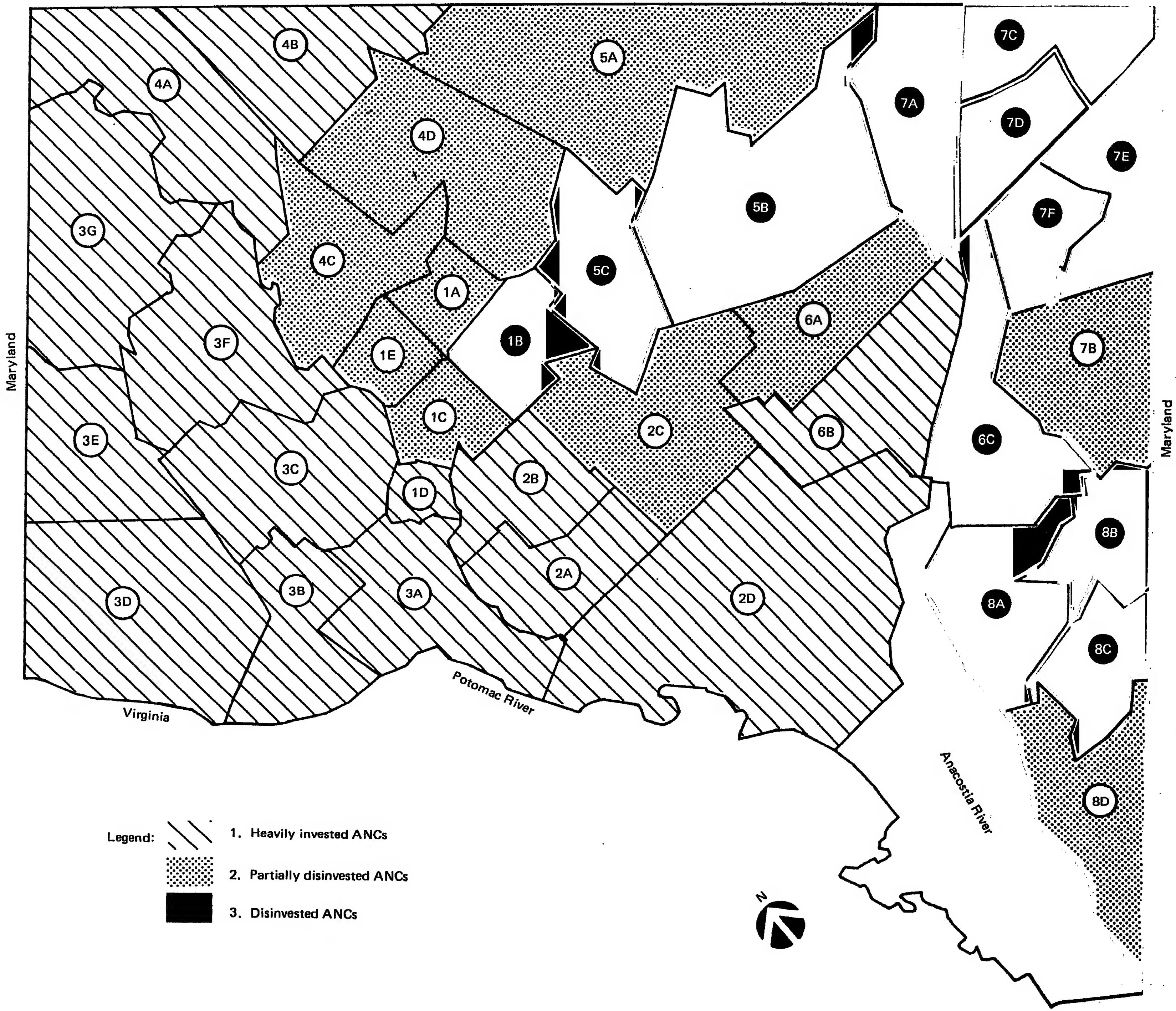
Reinvestment Potential

After the extent of disinvestment was determined, a measure of potential for reinvestment was sought. The Commission developed a comprehensive set of variables to measure the reinvestment potential of each of the disinvested and partially disinvested ANCs.

Each ANC had been ranked according to either a positive or negative rating for each of the variables. For each variable, an ANC received a positive rating if it was above the city average, and a negative rating if it was below the average. A zero is given to ANCs with the same rating as the city average.

Each ANC received a final ranking according to the sum of the positive and negative ratings for each of the eight variables.

Levels of disinvestment by ANC



A high positive rating indicates a strong potential for reinvestment; a high negative rating indicates a weak potential for reinvestment. Any rating between -2 and zero shows a stable housing market.

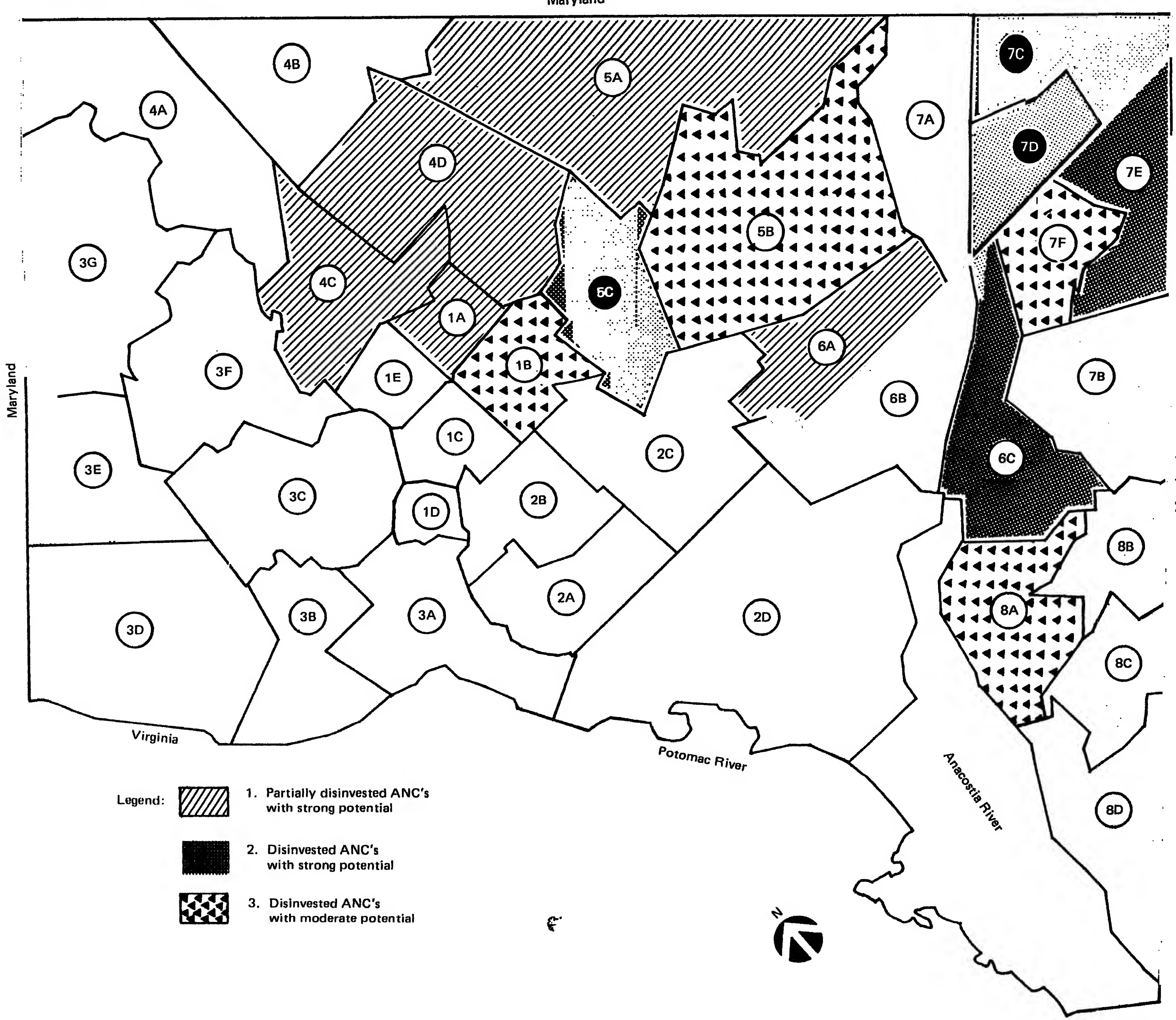
Map #2 shows the disinvested and partially disinvested ANCs that were found to have reinvestment potential. This identification process was able to add significantly to discussion of where to concentrate various kinds of reinvestment efforts.

Results:

The studies carried out formed the basis of program development by the Neighborhood Reinvestment Commission (NRC). Six major programs were recommended by the NRC in a Housing Finance Plan (HFP). The final report of the NRC describes the HFP as follows:

> (1) The establishment of a comprehensive city-wide and neighborhood-based Housing Counseling Program for tenants, existing and prospective homeowners and landlords.
>
> (2) The creation of an independent Loan Review Committee (LRC) to review the merits of all rejected mortgage, rehab and refinancing loans and ensure that no loan was rejected on an improper basis. The Committee would have the authority to place a loan with a participating lender on a rotating basis when the LRC found a loan to have been improperly rejected.
>
> (3) The implementation of a Tandem Rehabilitation Loan Program by leveraging public Community Development funds to substantially increase the amount of rehabilitation loans from local lenders to low- and moderate-income homeowners and tenants and to reduce the interest rate on such loans.
>
> (4) The establishment of a Multifamily Alternative Program to provide intensive technical assistance to landlords, tenants, and lenders in order to achieve basic rehabilitation of deteriorated multifamily buildings without a substantial increase in rent and/or tenant displacement.
>
> (5) The expansion of Mortgage Lending Policies in support of the Federal Home Loan Bank Board's "Non-Discrimination Regulations," public disclosure of bank

Potential for reinvestment by ANC



and S&L mortgage lending credit and property criteria and greater reliance on a borrower's past payment experience. The recommendation also proposes that each borrower have the right to receive a loan application, the property appraisal report and a written reason for the denial of a loan.

Application Number 5: Monitoring Reinvestment Programs

Since HMDA is reported annually, reinvestment programs can be monitored on a steady basis, compared from one year to another, and also analyzed for trends. Moreover, it is possible to compare the lending pattern of a lender participating in a reinvestment program with the pattern of one who is not.

Comparisons can be made of area lending patterns -- a city and a suburb, for example, or one neighborhood and another. Area, trend, and lender patterns in similar cities -- with or without reinvestment programs -- can even be compared.

The kind of disclosure data you use for monitoring depends on the specific objective involved. Suppose, for example, that you want to monitor a program designed to increase levels of conventional mortgage lending. You would therefore choose data which compares conventional mortgage levels. If the program in question is designed to provide home improvement money for certain neighborhoods, then you would compare levels of improvement loans.

In the case of a general reinvestment program, you would examine data on various kinds of mortgages, improvement loans, levels of multi-family mortgages, and types of mortgages which lenders purchase and those which they originate. If your objective is to develop profiles of the types of loans which are most needed in different neighborhoods, then you should monitor lending by various lenders in various areas in order to determine how well the range of lending meets those needs.

Monitoring, in effect, tells you how well a program or process is working, and how well and how rapidly reinvestment goals are being met. Monitoring also provides background evidence and information which can be used to improve a reinvestment program.

Community Reinvestment Act (CRA) Monitoring

CRA will be a useful adjunct to HMDA in a community's overall monitoring efforts. The 1977 Act states that "regulated financial institutions have continuing and affirmative obligation to help

meet the credit needs of the local communities in which they are chartered," and that regulators should "assess the institution's record of meeting the credit needs of its entire community, including low and moderate income neighborhoods."

The full text of CRA regulations, as well as excerpts from examination procedures, is contained in the appendix.

Under CRA, regulators will determine whether a financial institution may branch, merge, relocate, issue a charter, or issue deposit insurance, basing their decisions in part on CRA compliance.

One of the greatest strengths in CRA is that it encourages dialogue among lenders, regulators, and the communities they serve. The regulations implementing the Act provide that CRA examiners can seek local opinions on how a given lender is perceived in terms of CRA performance.

If CRA is to be effective, however, all parties to the dialogue must be adequately informed. Disclosure data can serve this purpose. It can identify possible violations of CRA in terms of unjustified credit discrimination. It can identify areas where particular CRA-related efforts should be concentrated.

For example, using disclosure data, local organizations and agencies can monitor the lending activity of a private financial institution to see how well it matches and complements community development efforts and community group programs. CRA regulators then have some basis for assessing the reinvestment performance of a given financial institution.

The two case studies following are examples which illustrate monitoring.

Case Study: The Citizen's Planning and Housing Association (CPHA) in Baltimore

Background

In 1973, the Home Ownership Development Program of the city of Baltimore used title transfer data from a real estate directory to examine the mortgage market in Baltimore. The analysis showed that the city received far less lending by conventional institutions than did the suburbs. Also the study indicated that certain neighborhoods within the city, typically minority neighborhoods, received less conventional lending, and often relied on cash sales and individual forms of mortgages when they couldn't even get FHA-insured loans. As a response to community pressure which developed from this study and other neighborhood disinvestment issues, the major Baltimore financial institutions agreed to make a major change in their underwriting practices which would produce more lending within the city.

Since the time of this commitment, the Citizen's Planning and Housing Association (CPHA) has been issuing monitoring reports on lending patterns for every six month period from 1974 to the present. The CPHA is a non-profit citizen's organization which has a membership of over 3,000 people from 200 community organizations in the Baltimore area.

Method

Like the Home Ownership Development Program, the CPHA used data from a real estate directory to compare levels of lending in key categories for the city and suburbs, and, in some studies, for selected neighborhoods. The monitoring did not usually single out specific lenders, but examined changes in levels of lending by types of institutions: savings and loan associations, savings and commerical banks, mortgage bankers, cash sales, private mortgages (mortgages given by individuals, usually the seller of the house), and sales financed by a special program of the Maryland

Department of Economic and Community Development (DECD).

Summary of Findings

In general, the monitoring reports indicated that the levels of conventional lending within the city were increasing, although levels of conventional lending were also increasing for suburban areas, and at a greater rate than in the city. In the monitoring, which also examined specific neighborhoods, it was found that some neighborhoods were experiencing major increases in conventional lending, while others, typically minority and lower-income areas, were not. For example, CPHA found that in Chinquapin Park, a recently integrated community which was becoming extremely desirable, there were major increases in conventional lending between 1971 and 1975. On the other hand, in Harlem Park, which had been the first urban renewal area in Baltimore and which has continued to be a lower-income and minority community, conventional lending had decreased between 1971 and 1975. In this neighborhood, almost 95 percent of sales are for cash or are privately financed. Figure #1 shows CPHA's "pie" charts of these two neighborhoods.

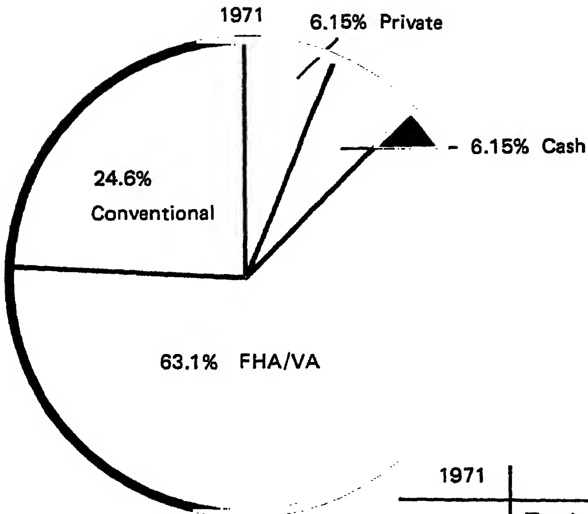
Results

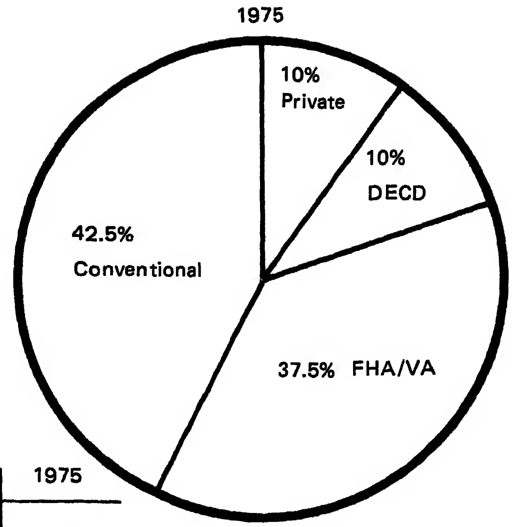
The information from the CPHA monitoring reports has been used for a variety of purposes. It has been used to identify particular neighborhoods where there are reinvestment problems, both those neighborhoods like Harlem Park where there continues to be no conventional lending and neighbornoods like Chinquapin Park where patterns suggest that gentrification (a rapid replacement of moderate and middle-income people by higher income households) may be a significant problem.

Baltimore CPHA Case Study
Figure 1

Chinquapin Park

Housing transactions by sale type

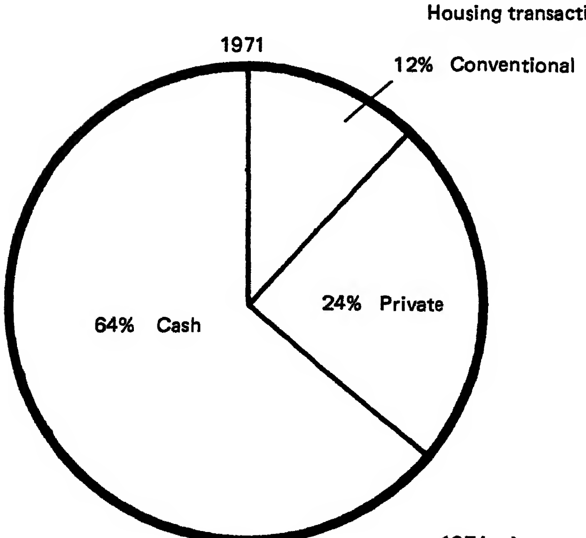


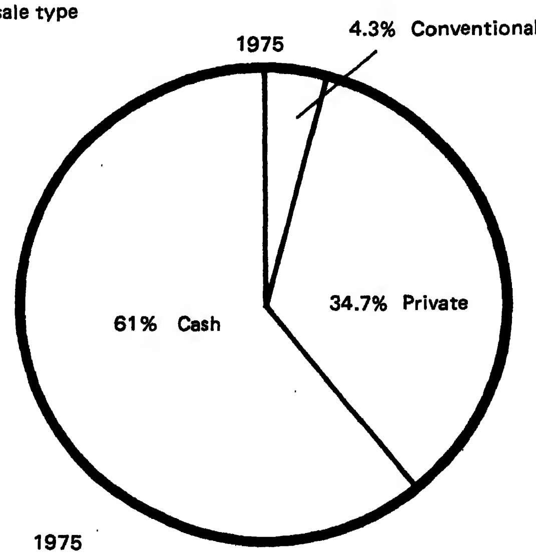


1971		1975
65	Total Transactions	40
$13,493	Average Sale Price	$24,024

Harlem Park

Housing transactions by sale type





1971		1975
25	Total Transactions	46
$3,128	Average Sale Price	$3,797

Case Study: The Institute for the Study of Civic Values

Background

In 1975, three major lenders developed the Philadelphia Mortgage Plan. The Plan soon included the major mutual savings banks and commercial banks in Philadelphia. It was based on a conscious decision to revise underwriting standards so that "neighborhood" economic and social factors were not included in lending decisions. Under the Plan, loans could be made on blocks which had up to a ten percent rate of abandonment and vacancy, and on blocks with even more physical distress if there were active community organizations operating there. The program used private mortgage insurance to make conventional loans in these areas, many to very poor households.

The Institute for the Study of Civic Values, a well-respected, non-profit training and educational organization, produced the first major monitoring of the Philadelphia Mortgage Plan in 1977.

Method

The report, *Mortgage Money in the City: An Analysis of Mortgage Disclosure Data,* was based on HMDA data. Since the Plan was designed to increase levels of conventional mortgage lending, data on all conventional mortgages originated were taken from the HMDA reports of the 34 lenders which supplied disclosure statements. Fifteen of the lenders had HMDA data which covered all of 1975 and the first six months of 1976, which the first round of reporting ended. Since the periods were not equal, comparisons involved rates of lending by different institutions in certain areas rather than numbers of loans. Comparisons were made among individual lenders for each year for loans in the city versus loans in the suburbs. Another comparison was made between years for all lenders combined, for each ZIP code in the city.

Summary of Findings

The study found that the majority of mortgage money went to the suburbs. However, institutions which belonged to the Philadelphia Mortgage Plan showed a better than average pattern of

reinvestment in the city from 1975 to 1976. In some cases the reinvestment patterns were dramatic, such as the case of Bank A which increased the dollar volume of its loans in the city from 33.1 percent in 1975 to 72.5 percent in 1976. Data for the 16 lenders which supplied disclosure statements for both 1975 and the first half in 1976 are summarized in Tables 1 and 2.

lending in the city between the two years - both in total dollars and number of loans. Eight of the nine institutions improved in total dollars or number of loans. Only one lender showed a decrease in city lending.

Of the seven non-PMP institutions, three already had very good levels of city lending in 1975 - making over 80 percent of their total dollars and number of loans in the city. But as a group, non-PMP members did not do as well. Only four of the seven institutions providing full data for both years showed increases in total dollar amount of lending or number of loans in the city. Only three of these lenders showed increases in both dollar volume and numbers of loans in the city.

The monitoring report concludes that PMP lenders generally showed higher levels of reinvestment in the city, but some PMP members did much better than others. Non-PMP members typically showed less improvement in city lending, but some individual lenders made gains comparable to PMP members. Several local community groups have suggested that the PMP is partly responsible for the increased lending by these non-PMP members because the existence of the Plan and community pressure on those who did not belong also served to produce higher levels of loans in the city.

Results

Due largely to this, and other monitoring efforts, PMP member institutions which have not shown high levels of reinvestment have been pressured by community groups, and even by some

TABLE 1
INSTITUTE FOR STUDY OF CIVIC VALUES CASE STUDY

Levels of Lending in the City of Philadelphia and Suburbs for 1975 and the First Six Months of 1976 for the Fifteen Lenders Providing Full Information

	PHILADELPHIA			SUBURBS		City Total % of	
	Year	# of Loans	$ Amount	# of Loans	$ Amount	$ Amount	# of
Philadelphia Mortgage Plan Lenders:							
Bank A	1975	314	6,952,450	588	17,220,950	28.7	34.8
	1976	160	5,254,600	205	5,831,650	47.3	43.8
Bank B	1975	5	152,900	13	542,500	21.9	27.8
	1976	4	130,000	1	91,000	58.8	80.0
Bank C	1975	320	1,225,681	142	2,471,323	33.1	70.8
	1976	332	2,094,951	69	794,554	72.5	82.8
Bank D	1975	219	5,347,000	467	17,396,000	23.5	32.0
	1976	159	3,356,000	324	12,612,000	21.0	32.9
Bank E	1975	32	778,400	63	2,156,000	23.6	33.7
	1976	67	976,100	12	424,200	69.7	84.8
Bank F	1975	61	1,606,000	268	9,300,000	14.7	18.5
	1976	113	1,601,000	244	8,004,000	16.6	31.6
Bank G	1975	802	14,871,900	727	23,062,700	39.2	52.4
	1976	669	12,134,400	360	12,163,350	51.5	65.0
Bank H	1975	42	664,138	55	1,669,197	28.4	43.3
	1976	39	691,975	83	3,259,805	17.5	32.0
Bank I	1975	19	431,300	39	1,608,828	21.1	32.8
	1976	15	410,425	21	756,700	35.1	41.7

Source: Jane Shull and Hilde Jeffers (The Institute for the Study of Civic Values), "Mortgage Money in the City: An Analysis of Mortgage Disclosure Data," 1977, taken from data on pages 5-7.

TABLE 2
INSTITUTE FOR STUDY OF CIVIC VALUES CASE STUDY

Levels of Lending in the City of Philadelphia and Suburbs for 1975 and the First Six Months of 1976 for the Non-Philadelphia Mortgage Plan Lenders Which Provide Full Information

Non-Philadelphia Mortgage Plan Members:	Year	PHILADELPHIA # of Loans	PHILADELPHIA $ Amount	SUBURBS # of Loans	SUBURBS $ Amount	City Total % of $ Amount	City Total % of # of
Savings Institution A	1975	91	1,833,075	90	2,956,062	38.2	50.3
	1976	46	946,100	37	1,109,420	46.0	55.4
Savings Institution B	1975	228	4,752,000	279	8,212,000	36.6	45.0
	1976	76	1,619,000	258	8,330,000	16.2	22.8
Savings Institution C	1975	127	2,426,780	345	11,389,990	12.5	26.9
	1976	93	1,865,600	171	5,431,100	25.5	35.2
Savings Institution D	1975	67	1,112,200	12	273,300	80.2	84.8
	1976	47	922,700	2	44,100	95.4	95.9
Savings Institution E	1975	58	1,268,425	96	3,081,752	29.0	37.7
	1976	43	953,260	79	2,457,920	27.9	35.2
Savings Institution F	1975	168	2,808,636	23	602,000	82.3	87.5
	1976	112	1,869,834	18	604,225	75.0	86.1
Savings Institution G	1975	72	808,900	3	56,400	93.4	96.0
	1976	65	771,300	2	60,000	92.8	97.0

Source: Jane Shull and Hilde Jeffers (The Institute for the Study of Civic Values), "Mortgage Money in the City: An Analysis of Mortgage Disclosure Data," 1977, taken from data on pages 5-7.

PMP lenders. Some institutions which had not been members of the Plan have decided to join. Claims by different neighborhood groups that the reinvestment efforts have not reached their neighborhoods have led to efforts to make future monitoring studies reflect lending patterns at the neighborhood, as well as city-wide, levels. Finally, some of the PMP member institutions have now developed comparable plans for increasing home improvement lending, and are developing programs for commercial lending.

Case Study: Citizens for Community Improvement (Iowa)

Background

Citizens for Community Improvement (CCI) of Waterloo, Iowa, began investigating the problem of disinvestment in October of 1975. Since that time, CCI organizations in Des Moines and Council Bluffs have also done studies and initiated action on the issue. A network of communication exists among the three cities and all have been involved in statewide activities which resulted in significant response from Iowa's Governor Robert Ray. In August of 1978, a state anti-redlining law was passed which provides for lending disclosure that is more inclusive than HMDA.

The CCI experience is interesting because it represents an effective statewide network using HMDA research, and also because it shows the importance of such research in relatively small metropolitan areas.

Methodology and Findings

Waterloo

CCI of Waterloo had begun work on the issue of disinvestment in October of 1975, a year before the availability of HMDA. The early work involved keeping detailed case histories of credit-worthy people who had difficulty securing financing. After meeting with local lenders, a study of title transfer records in Blackhawk County was begun. The first examination of the records focused on areas of the city which were suspected of being redlined. It was found that the largest local savings and loan association had made only three first mortgages in the area over the three-year period 1973-1975 and that one of these was to an investor-owner.

A second survey of title records looked at the percentage of sales transactions financed by contract-for-deed arrangements. This type of financing was seen as a last resort method used when mortgage financing of any type was not available. The percentage of sales so financed on the city's West Side was 6%. The older

East Side had an 11% rate. The area which CCI expected was being redlined, which was part of the East Side, showed a 13% rate.

When HMDA data first became available in October, 1976, the data were compiled for all seven Waterloo lending institutions. The original HMDA disclosure was by ZIP code, which allowed distinction of only three different areas over the entire city of Waterloo. The data were represented in an East Side versus West Side format on tables. The total lending of all seven lenders showed a ratio of West Side to East Side conventional mortgage lending of seven to one.

Des Moines

As soon as the first HMDA data became available in October, 1976, groups who were in the process of organizing CCI of Des Moines began analysis. The first analysis looked at four of the five largest savings and loans in Des Moines on the basis of ZIP code disclosure. Lending of home mortgages and home improvement loans was contrasted to population. It was found that the suburb of West Des Moines, with 7% of the SMSA population, received 20% of the mortgage loan money. The south-central part of the city of Des Moines, with 15% of the SMSA population, received only 9%. Areas of Des Moines' north side received 3% of the home improvement loans made and had 7% of the population of the SMSA, while the west side of Des Moines, with a similar population, received 46% of the home improvement loans.

When the second round of HMDA data became available in April of 1977, an organization affiliated with CCI of Des Moines compiled another analysis. Eighteen lenders were analyzed. The central area of Des Moines, with 20% of SMSA population, received 8%, of the home mortgage loans made.

The second round of HMDA data also made possible a study done by Len Acklund, a business writer for the Des Moines Register. He had been aware of the activities of CCI-affiliated groups. The Acklund study covered 19 lenders and was reported in a series of articles beginning in June of 1977. First, summaries of

lending by each institution were presented for the total SMSA, the city of Des Moines, and "inner city neighborhoods." (See Table 1.) A "lending ratio" was calculated, comparing the mortgage lending rate per 1000 homes in outlying neighborhoods with the rate in inner city neighborhoods. The largest volume lenders were then ranked on their performance in inner city lending. Cases of individuals who had had difficulty in getting loans were reported, as were interviews with officials of the lending institutions. Deposit data by office location were also obtained for surveyed lenders. These data showed that 90% of all savings deposits held by Des Moines savings and loan associations were in city offices.

Results:

Waterloo

The findings of the case studies were used to publicize the issue and to set up a community meeting with officials of lending institutions. The survey of title transfers led to further negotiation and an announcement by the seven lenders that they would jointly make available an additional $7 million for mortgages on owner-occupied homes. They also announced the formation of a mortgage review panel to which denied loan applicants could appeal. One indication that CCI's efforts in Waterloo may be having an effect on loan availability was an unsolicited statement of a local real estate salesperson that financing is easier to get since the disinvestment issue has been publicized.

Des Moines

A series of meetings set up by CCI with representatives of six savings and loan associations resulted in several agreements. The associations agreed to make home improvement loans at the time of the original mortgage, taking that price into the mortgage and charging the prevailing mortgage interest rate. They also agreed that there is a need to promote the central city just as suburban developments are marketed by lenders.

The issue of disinvestment became a campaign issue in the Des Moines school board election. Several candidates promised that, if elected, they would direct school board deposits to lenders with the best urban lending record.

The study done for the Register was also submitted to the Columbia Journalism Review. The series of articles was described and resulted in inquiries from more than sixty newspapers across the country. In this way, the issue raised by CCI and publicized by Acklund and the Register has had a degree of national impact.

Statewide

The work of CCI, assisted by the Register, gained the attention of Iowa's governor, Robert Ray. A meeting between CCI and representatives of the governor led to a proposal of a Governor's Task Force to study the issue. Early tangible results include the establishment of a program by the Iowa Housing Finance Authority to link deposits of part of its funds to a requirement of establishing a mortgage review process and an affirmative marketing program.

The concept of a more general "linked deposit" program for state funds has also been considered. A plan has been proposed whereby banks would have to report their lending practives in the bidding procedure for state deposits. At an April, 1978, meeting, CCI presented their formula for the bidding process to Governor Ray. The meeting was also attended by a representative of the FHLBB. Further meetings have been scheduled, with the Governor's assistance, to present CCI's proposal to the Executive Council of Iowa and the State Auditor (who regulates State-chartered savings and loans).

In August of 1978, a state anti-redlining law which CCI had encouraged was passed by the Iowa legislature. The law also includes provision for disclosure of more data than is required under HMDA. The Iowa law requires disclosure by mortgage service companies and insurance companies which are exempt from HMDA. CCI continues to be involved through participation in the drafting of regulations which will implement the legislation.

Citizens for Community Improvement Case Study
Table 1

			Within metropolitan Des Moines		Within Des Moines city limits		Within Des Moines inner city neighborhoods		Lending ratio lower members mean more loans went to inner city neighborhoods [3]	FHA, VA, FmHA loans in metro Des Moines	
	Savings and Loan Associations		#	$ Amt.	#	$ Amt.	#	$ Amt.		#	$ Amt.
Reptg.	Association A	(Savings Capital: $353 million)	815	$26.3 million	422	$12 million	42	$911,000	2.6	213	$5.8 million
12 mo.	Association B	(Savings Capital: $23 million)	127	$3.4 million	57	$1.2 million	9	$160,000	1.6	0	
1976	Association C	(Savings Capital: $11 million)	91	$3.2 million	25	$778,000	3	$59,000	2.5	0	
Reptg.	Association D	(Savings Capital: $397 million)	195	$7.1 million	94	$3 million	4	$37,000	7.0	0	
July-Dec.	Association E	(Savings Capital: $282 million)	418	$13.6 million	250	$7.2 million	18	$398,000	3.8	9	$246,000
1976	Association F	(Savings Capital: $106 million)	125	$4.1 million	59	$1.7 million	9	$213,000	1.6	2	$81,000
	Association G	(Savings Capital: $43 million)	57	$1.6 million	25	$491,000	8	$107,000	0.7	0	
	Banks										
Reptg.	Central National Bank	(Deposits:$265 million)	33	$1.2 million	25	$914,000	4	$34,000	1.7	0	
12 mo.	National Bank B	(Deposits: $48 million)	56	$1.9 million	29	$604,000	3	$52,000	3.0	0	
1976	Bank C	(Deposits: $26 million)	59	$603,000	49	$467,000	21	$187,000	0.4	0	
	Bank D	(Deposits: $24 million)	86	$2.3 million	75	$1.9 million	5	$46,000	4.0	3	$104,000
	Bank E	(Deposits: $23 million)	50	$799,000	44	$587,000	8	$85,000	1.3	0	
Reptg.	Bank F	(Deposits:$479 million)	153	$5.3 million	74	$2.2 million	7	$96,000	2.5	0	
6 mo.	Trust G	(Deposits:$246 million)	63	$2.3 million	32	$1 million	0		—	0	
1976	Bank H	(Deposits:$119 million)	46	$1 million	30	$487,000	8	$45,000	0.8	0	
	Bank I	(Deposits: $68 million)	8	$280,000	5	$173,000	1	$18,000	1.0	0	
	Bank J	(Deposits: $40 million)	36	$1.3 million	16	$383,000	1	$20,000	5.5	0	
	Bank K	(Deposits: $39 million)	18	$633,000	11	$322,000	2	$54,000	1.0	0	
	Bank L	(Deposits: $29 million)	not available		48	$1.3 million	2	$77,000	3.0	0	

Source: Data disclosed by financial institutions on Mar. 31, 1977 under the Federal Home Mortgage Disclosure Act. Savings capital and deposit figures are from Dec. 31, 1976.

Notes:

1) Association D was the only institution which did not group its data according to loans made within the standard metropolitan staliscial area and those made without. Thus, its figures for loans made in metropolitan Des Moines only reflect those reported by census tract and may be somewhat lower than the association actually made. This reporting quirk does not, however, affect the association's figures within the city of Des Moines, which are accurate.

2) Bank L's report contained numbers which did not match census tracts.

3) This ratio shows how many times more loans an institution made for every 1,000 homes in the outlying neighborhoods of Des Moines proper compared to the number of loans it made every 1,000 homes in inner city neighborhoods. Thus, the number 10 would mean that the institution made the same number of loans per 1,000 homes in Des Moines' outlying neighborhoods as it did per 1,000 homes in Des Moines' core. The inner city contains 13,000 one to four unit homes, and the rest of Des Moines proper has 44,000 homes, according to a 1974 – 75 survey by R.I. Polk & Co.

APPENDIX

Mortgage Loan Disclosure Statement
(Specimen Form)

Name of depository institution ____________________

Relevant SMSA ____________________

Reporting period ____________________

Federal Enforcement Agency for this institution

Name ____________________

Address ____________________

Part A Originations

Section I Mortgage loan data relating to residential real property located within the relevant SMSA

Census tract or zip code (in numerical sequence)	Loans to both occupants and non-occupants of the property										Addendum Item	
	FHA, FmHA or VA loans (except on multi-family dwellings)		Other residential mortgage loans ("conventional") (except on multi-family dwellings)		Total residential mortgage loans (except on multi-family dwellings)		Total home improvement loans (except on multi-family dwellings)		Total mortgage loans on multi-family dwellings		Non-occupant loans (except on multi-family dwellings)	
	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount
Column Totals												

Section II Mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSA's)

Mortgage Loan Disclosure Statement (cont.)
(Specimen Form)

Part B Purchased Loans

Section I Mortgage loan data relating to residential real property located within the relevant SMSA

	Loans to both occupants and non-occupants of the property										Addendum Item	
Census tract or zip code (in numerical sequence)	FHA, FmHA or VA loans (except on multi-family dwellings)		Other residential mortgage loans ("conventional") (except on multi-family dwellings)		Total residential mortgage loans (except on multi-family dwellings)		Total home improvement loans (except on multi-family dwellings)		Total mortgage loans on multi-family dwellings		Non-occupant loans (except on multi-family dwellings)	
	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount
Column Totals												
Section II Mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSA's)												

Instructions:

1. Data may be rounded to nearest thousands of dollars.
2. If more than one SMSA is involved, the relevant SMSA should be indicated next to the tract number or, preferably, separate pages should be used.
3. If the tract number is duplicated within a SMSA, the county, city or town that uniquely identifies the number should be stated next to the number.
4. Whenever a ZIP code number is permitted to be used, it should be preceded by the letter "Z".
5. If the statement is prepared on the basis of the definition of the relevant SMSA that is more recent than that in effect on the first day of the reporting period, so indicate.
6. Census tract numbers are those appearing on the maps in the Bureau of the Census 1970 PHC(1) series, but computer coding is permissible if explained on the statement.
7. "Multi-family dwellings" means residential dwellings for more than four families.
8. The column "Total Residential Mortgage Loans" should equal the sum of the preceding two columns (except for rounding).
9. This statement must be retained and made available for a period of five years from the last day of the reporting period.
10. If census tract itemization is required, the relevant tract maps should be conveniently made available with the statement.

Key to Mortgage Loan Disclosure Statement (Form HMDA-1)

Lenders reporting under HMDA must use "a format similar to guideline Form HMDA-1," according to Regulation C of the Federal Reserve Board. Because the format must be only "similar," there will be some variation among lenders. The columns might be in different order, for example, but all information shown here must be given. Refer to sample form, which is keyed by letter and by number to the following required items:

item "a": The full, legal name of the lending institution.

item "b": The Standard Metropolitan Statistical Area (SMSA) which this report (or this page of the report) covers. These SMSA's are defined by the Census Bureau, and are sometimes referred to by identifying numbers. If a number, but no name, appears, it may be necessary to check with a public library or the Census Bureau.

item "c": The period this report covers. This should show the beginning and ending dates. If not, check with the lender.

item "d": The name and address of the particular office of the Federal enforcement agency responsible for this lender's compliance with HMDA. Report all problems that cannot be worked out with the lender to this agency.

Part A: "Originations" are loans which the lender has made (originated) during the reporting period.

Part B: "Purchased Loans" are loans which have been originated by another lender, which the reporting lender has purchased during the reporting period. Purchasers of loans have greatly increased in the last few years and sometimes may exceed the value of loans originated.

Section I: In both parts, Section I includes the loans which were originated in the "Relevant SMSA" indicated in item "b". These must be listed by census tract (or ZIP code) during the first HMDA reporting period.

Section II: In both parts, Section II covers loans which had been originated outside the relevant SMSA (or SMSA's for lenders who made loans in more than one SMSA). Only one line of data showing an overall total must be reported in Section II of each part. Loans originated

or purchased outside the relevant SMSA (or SMSA's) are not required to be listed by geographic location.

Columns of Data:	The columns are the same for both parts (A & B) and both sections (I & II) of each part.
Column 1:	The census tract or ZIP code which relates to the data on each line.
Column 2:	Mortgage loans insured or guaranteed under the programs of the Federal Housing Administration (FHA), Farmers' Home Administration (FmHA), or the Veterans Administration (VA). These mortgages are on buildings with from one to four dwelling units. The major lenders of these kinds of mortgages in most cities are mortgage companies. These companies are not federally regulated and not subject to HMDA disclosure. Therefore HMDA research alone will not usually indicate true volumes of these kinds of mortgages.
Column 3:	Mortgages on buildings with from one to four dwelling units not included in Column 2. These are "conventional" home mortgages and are usually the most numerous kind of loans disclosed on the HMDA form.
Column 4:	The total of entries in Column 2 and Column 3.
Column 5:	All loans made for the purpose of home improvements on buildings with from one to four dwelling units. These loans can be either "second mortgages" which have the property pledged as collateral or unsecured installment loans. This column contains both conventional and FHA "Title I" home improvement loans. Thus, HMDA does not allow distinction among the various types of home improvement loans.
Column 6:	All mortgages and all property improvement loans made on buildings with five or more dwelling units. Loans on individual condominium or cooperative units should be included in Columns 2 - 5.
Column 7:	Loans for improvements or mortgages made to persons other than the residents of the property involved. All loans in this column should also appear in one of the other columns.

REGULATION C

(12 CFR 203)

Effective June 28, 1976

HOME MORTGAGE DISCLOSURE

SECTION 203.1—AUTHORITY, SCOPE, AND ENFORCEMENT

(a) **Authority and scope.** This Part comprises the regulations issued by the Board of Governors of the Federal Reserve System pursuant to the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94–200; 89 Stat. 1125 *et seq.*). This Part applies to depository institutions which make federally related mortgage loans. Nothing in the Act or this Part is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

(b) **Administrative enforcement.** As set forth more fully in sections 305 and 306 of the Act, compliance with the provisions of the Act and this Part shall be enforced by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), and the Administrator of the National Credit Union Administration.

SECTION 203.2—DEFINITIONS

For the purposes of this Part, the following definitions apply unless the context indicates otherwise:

(a) **Act** means the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94–200; 89 Stat. 1125 *et seq.*).

(b) **Branch office** means any office approved as a branch of the depository institution by that depository institution's Federal or State supervisory agency.

(c) **Depository institution** means any commercial bank, savings bank, savings and loan association, building and loan association, homestead association (including cooperative banks), or credit union, which makes federally related mortgage loans. Any majority-owned subsidiary of a depository institution shall be deemed to be part of its parent depository institution for the purposes of this Part.

(d) **Federally related mortgage loan** means any loan (other than temporary financing such as a construction loan) which (i) is secured by a first lien on residential real property (including individual units of condominiums and cooperatives) that is designed principally for the occupancy of from one to four families and is located in a State; and (ii)(A) is made in whole or in part by a depository institution the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by a depository institution which is regulated by any agency of the Federal Government; or (B) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by any other such officer or agency; or (iii) is intended to be sold by the depository institution that originates the loan to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corpo-

ration, or a financial institution from which it is to be purchased by the Federal Home Loan Mortgage Corporation.

(e) **FHA, FmHA, or VA loans** means mortgage loans which are insured under Title II of the National Housing Act or under Title V of the Housing Act of 1949 or which are guaranteed under Chapter 37 of Title 38, United States Code.

(f) **Home improvement loan** means a loan, unsecured or secured by collateral other than a first lien on residential real property, (i) the proceeds of which are to be used for the purpose of repairing, rehabilitating, or remodeling an existing residential dwelling located in a State as stated by the borrower to the lender at the time of the loan transaction, and (ii) that is recorded on the books of the depository institution as a home improvement loan.

(g) **Mortgage loan** means a "residential mortgage loan" as defined in paragraph (h) of this section or a "home improvement loan" as defined in paragraph (f) of this section.

(h) **Residential mortgage loan** means a loan which is secured by a first lien on residential real property located in a State, including a first lien refinancing of an existing loan, but shall not include (i) temporary financing (such as a construction loan), or (ii) purchase of an interest in a pool of mortgage loans (such as mortgage participation certificates issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Farmers Home Administration), or (iii) a loan made primarily for business or consumer purposes (other than to purchase, repair, rehabilitate or remodel residential real property) but in connection with which a first lien on residential real property is taken as collateral.

(i) **Residential real property** means improved real property used or to be used for residential purposes, including single-family homes, dwellings for from two to four families, multi-family dwellings, and individual units of condominiums and cooperatives.

(j) **State** means any State of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.

SECTION 203.3—EXEMPTIONS

(a) The following categories of depository institutions are exempt from the compilation of data and disclosure requirements of sections 203.4 and 203.5 of this Part:

(1) any depository institution that has total assets as of the last day of its last full fiscal year of $10,000,000 or less; or

(2) any depository institution that has neither a home office nor any branch office located in a standard metropolitan statistical area (SMSA) as currently defined by the Office of Management and Budget of the United States Government; or

(3) any State-chartered depository institution subject to the mortgage loan disclosure laws (statutes or regulations) of a State or subdivision thereof that the Board determines, in accordance with the procedures set forth in the Supplement to this Part, contain (i) requirements substantially similar to those imposed under the Act, and (ii) adequate provisions for enforcement.

(b) A depository institution that was exempt on or after the effective date of this Part on the basis of paragraph (a) of this section and that subsequently becomes no longer exempt shall compile the data described in section 203.4 of this Part for each fiscal year beginning with its last full fiscal year ending prior to the date it was no longer exempt, and that last full fiscal year shall be deemed to be a "full fiscal year ending prior to July 1, 1976" for the purposes of section 203.4 of this Part.

SECTION 203.4—COMPILATION OF MORTGAGE LOAN DATA

(a) **Data to be included.** (1) Each depository institution shall aggregate, separately for each standard metropolitan statistical area (SMSA) in which it has a home office or branch office, its mortgage loan data for each fiscal year beginning with its last full fiscal year ending prior to July 1, 1976, with the exception of mortgage loans described in subsection (4) of this paragraph. Mortgage loan data relating to residential real property located within the relevant SMSA (i.e., the SMSA where a home or branch office is located) shall be segregated from mortgage loan data relating to residential real property located outside the relevant SMSA and shall be itemized by the census tract in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located (except as provided in subsection (2) of this paragraph) according to the

following classifications in a format similar to guideline Form HMDA-1, which is set forth in the appendix to this Part:

(i) FHA, FmHA, or VA loans, except on multi-family dwellings (i.e., dwellings for more than four families), subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(ii) residential mortgage loans other than FHA, FmHA, or VA loans and other than loans on multi-family dwellings, subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(iii) all residential mortgage loans, except on multi-family dwellings, (i.e., sum of classifications (i) and (ii)), subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(iv) home improvement loans, except on multi-family dwellings, subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(v) all mortgage loans (home improvement loans and residential mortgage loans) on multi-family dwellings, subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year; and

(vi) all mortgage loans (home improvement loans and residential mortgage loans), except on multi-family dwellings, made to any borrower who did not, at the time of the loan transaction, intend to reside as his principal dwelling in the property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved), subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year.

Classifications (i) through (v) include loans to both occupants and non-occupants of the property. Mortgage loan data relating to residential real property located outside the relevant SMSA (or relevant SMSA's in the case of a depository institution with home or branch offices in more than one SMSA) shall also be itemized according to classifications (i) through (v) set forth above, but further itemization of that data by census tracts or United States Postal Service ZIP codes is not required.

(2) Mortgage loan data relating to residential real property located within the relevant SMSA may be itemized, according to the classifications specified in subsection (1) of this paragraph, by United States Postal Service ZIP codes for the area in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located, in lieu of census tracts, to the extent that such data relate to:

(i) a full fiscal year ending prior to July 1, 1976; or

(ii) a part of a fiscal year if that part ends on June 30, 1976, provided that a mortgage loan disclosure statement for that part of the fiscal year is made available by the depository institution by September 30, 1976, and a separate mortgage loan disclosure statement for the remaining part of that fiscal year (itemizing mortgage loan data relating to residential real property within the relevant SMSA by census tracts) is made available by the depository institution within ninety days of the end of that fiscal year; or

(iii) residential real property located in an area of a currently defined relevant SMSA that is not tracted on the maps (as a portion of then-defined SMSA's or otherwise) in the series "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of the Census of the United States Department of Commerce.

(3) Mortgage loan data to be compiled as described in this paragraph shall be in terms of number of loans and total dollar amounts (original principal amounts of loans originated by the institution to the extent of its interest, where the loan is made jointly or cooperatively, and unpaid principal balances of loans purchased by the depository institution, to the extent of its interest in such purchased loans), except that, in the case of purchased home improvement loans, the amount to be reported may include the unpaid finance charges. The compilations shall be on an annual basis and relate to mortgage loans originated or purchased solely during the relevant fiscal year.

(4) (i) A depository institution shall not include in its mortgage loan data to be compiled pursuant to paragraph (a) of this section:

(A) a refinancing that it originates involving no increase in the outstanding balance of the principal due on the existing loan where the depository institution and the borrower are the same parties to the existing loan and the refinancing; and

(B) a loan originated or purchased by the depository institution acting as trustee or in some other fiduciary capacity.

(ii) For the purpose of compiling mortgage loan data pursuant to paragraph (a) of this section with respect to a full fiscal year ending prior to July 1, 1976, a depository institution may – –

(A) notwithstanding the definition contained in section 203.2(f) of this Part, itemize as home improvement loans those loans that it has classified as home improvement loans for the purposes of State law, provided that no loans secured by first liens on residential real property shall be included as home improvement loans in the mortgage loan disclosure statement and reference is made in the disclosure statement to the State law definition of home improvement loan that is being utilized; or

(B) omit, at its option, any mortgage loan that was (1) both originated and either sold or paid in full during such fiscal year, or (2) both purchased and either sold or paid in full during such fiscal year, provided that the depository institution consistently applies this option with respect to all loans in those categories and clearly states in its mortgage loan disclosure statement for that year that such data have been omitted.

(b) **Applicable SMSA's, census tracts and ZIP codes.** (1) For the purpose of determining whether a mortgage loan is to be included in the classifications relating to residential real property within the relevant SMSA as described in paragraph (a) of this section (but not for the purpose of determining exemptions pursuant to section 203.3(a)(2) of this Part), the applicable areas of the relevant SMSA shall be those as defined by the Office of Management and Budget of the United States Government and in effect on June 28, 1976, or the first day of the fiscal year to which the mortgage loan disclosure statement relates, whichever is the later date.

(2) Applicable census tract numbers and boundaries shall be those appearing on the census tract maps in the series "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of the Census, United States Department of Commerce. If the number itself would be duplicated in the mortgage loan disclosure statement for the relevant SMSA, the county, city, or town that uniquely identifies the census tract shall be identified in that disclosure statement.

(3) An applicable ZIP code shall be that for the area in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located. No depository institution is obligated to revise its mortgage loan data to reflect official changes of ZIP code numbers or boundaries made after the ZIP code for a particular loan is recorded.

(4) Nothing contained in this paragraph is intended to prohibit the use of maps, directories, computer programs, or the like that have more recent definitions of the applicable SMSA areas than those specified in subsection (1) of this paragraph, provided that every mortgage loan relating to residential real property within the applicable areas of the relevant SMSA as specified in subsection (1) of this paragraph or within the areas of the relevant SMSA as more recently defined shall be included in the data to be itemized by census tracts or ZIP codes as required by paragraph (a) of this section. If such updated revisions are utilized, the mortgage loan disclosure statement shall indicate the source of the revision.

(c) **Applicable presumption.** For the purpose of compiling mortgage loan data described in paragraph (a) of this section, a depository institution may presume (unless its records relating to that loan contain information to the contrary) with respect to any mortgage loan originated prior to June 28, 1976, or purchased at any time, that the borrower intended, at the time of the loan transaction, to reside as his principal dwelling in the property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved), if such property is a residential dwelling used or to be used by from one to four families.

SECTION 203.5—DISCLOSURE REQUIREMENTS

(a) **Dates disclosure statements due.** (1) Each depository institution shall make available to the public by the following dates mortgage loan disclosure statements required to be compiled pursuant to section 203.4 of this Part:

(i) September 30, 1976, in the case of a disclosure statement relating to a full fiscal year ending prior to July 1, 1976, except as provided in subsection (2) of this paragraph;

(ii) within ninety days of the end of the relevant fiscal year in the case of a disclosure statement that relates to a full fiscal year ending subsequent to June 30, 1976; and

(iii) within ninety days of the date a depository institution becomes no longer exempt in the case of the initial disclosure statement required pursuant to section 203.3(b) of this Part.

(2) If an application for an exemption is filed by September 30, 1976, pursuant to section 203.3(a)(3) of this Part, a State-chartered depository institution subject to the mortgage disclosure laws of a State or subdivision thereof being considered in the application shall not be required to compile and make available to the public a mortgage loan disclosure statement relating to a full fiscal year ending prior to July 1, 1976, while the application is pending before the Board. If the State-chartered depository institution is not granted an exemption by the Board's determination on the application, that depository institution shall make the disclosure statement for that fiscal year available within sixty days of the date of the Board's determination.

(3) Any mortgage loan disclosure statement required to be made available shall be maintained and made available for a period of five years after the close of the first fiscal year during which that disclosure statement is required to be maintained and made available.

(b) **Offices at which disclosure statements to be made available.** (1) Except as provided in subsection (2) of this paragraph, each depository institution shall make available to the public disclosure statements required to be compiled pursuant to section 203.4 of this Part, by the dates specified in paragraph (a) of this section, at its home or branch offices, as follows:

(i) in the case of depository institutions that have home or branch offices in only one SMSA, the entire mortgage loan disclosure statement shall be made available at the home office and at least at one branch office (if there is such a branch office) within that SMSA; and

(ii) in the case of depository institutions that have home and branch offices in more than one SMSA, (A) the entire mortgage loan disclosure statement (relating to all SMSA's with respect to which the depository institution is required to compile mortgage loan data) shall be made available at the home office and (B) the entire mortgage loan disclosure statement shall also be made available at least at one branch office within every SMSA where the depository institution has branch offices (including the SMSA where the home office is located), except that the disclosure statement at a particular branch office need not include census tract or ZIP code itemizations with respect to relevant SMSA's other than the SMSA in which the particular branch office is located provided that aggregated data from the disclosure statement with respect to each of those other relevant SMSA's (i.e., the column totals of Section I of the appendix to this Part) are furnished.

(2) Any depository institution all of whose offices (home and branch) are located where there is no general public access shall make available mortgage loan disclosure statements required to be compiled pursuant to section 203.4 of this Part, by the dates specified in paragraph (a) of this section, in either of the following ways:

(i) it shall designate a place convenient and accessible to the public within the SMSA of its home office where the entire mortgage loan disclosure statement (relating to all SMSA's with respect to which it is required to compile mortgage loan data) will be available at reasonable times, and shall designate a convenient and accessible place within every other SMSA where it has a branch office, at which designated place will also be made available the entire mortgage loan disclosure statement except for the omission, at the option of the depository institution, of census tract or ZIP code itemizations with respect to relevant SMSA's other than the SMSA where the particular branch is located provided that aggregated data from the disclosure statement with respect to each of those other relevant SMSA's (i.e., the column totals of Section I of the appendix to this Part) are furnished; or

(ii) it shall promptly furnish by mail to anyone requesting the information a copy of a required mortgage loan disclosure statement, imposing no more than a reasonable charge for the cost of reproduction of the data.

(3) A depository institution shall make appropriate efforts at least once each year to notify its depositors of the availability of its mortgage loan data, such as by (i) inserting a notice in a periodic account statement or other communication to depositors, (ii) posting a notice in the lobbies of its home and branch offices located in SMSA's for at least one month, or (iii) publishing a notice in a newspaper or newspapers of general circulation in the SMSA's in which its home and branch offices are located.

(4) Upon request, any office of a depository institution shall promptly provide information regarding the location of any office or designated place of that depository institution at which mortgage loan disclosure statements are available.

(c) **Manner of making disclosure statements available.** Each office or designated place of a depository institution that is required pursuant to paragraph (b) of this section to make a mortgage loan disclosure statement available shall make such a mortgage loan disclosure statement available to anyone requesting it for inspection or copying during the hours in which such office or designated place is normally open to the public for business. If a depository institution makes reproduction facilities available, it may impose a reasonable charge for the cost of reproduction of the data.

SECTION 203.6—SANCTIONS FOR VIOLATIONS

(a) A violation of the Act or this Part is subject to sanctions as provided in section 305 of the Act.

(b) An error in compiling or disclosing required mortgage loan data shall not be deemed to be a violation of the Act or this Part if the error was unintentional and resulted from a *bona fide* mistake notwithstanding the maintenance of procedures reasonably adopted to avoid any such error.

SECTION 203.7—EFFECTIVE DATE

This Part shall be effective on June 28, 1976.

STATUTORY APPENDIX

Title III of Pub. Law 94–200 (approved Dec. 31, 1975); 89 Stat. 1125 *et seq.* 12 U.S.C. 2801–2809.

TITLE III—HOME MORTGAGE DISCLOSURE

§ 301. Short Title

This title may be cited as the "Home Mortgage Disclosure Act of 1975."

§ 302. Findings and Purposes

(a) The Congress finds that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions.

(b) The purpose of this title is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

(c) Nothing in this title is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

§ 303. Definitions

For purposes of this title—

(1) the term "mortgage loan" means a loan which is secured by residential real property or a home improvement loan;

(2) the term "depository institution" means any commercial bank, savings bank, savings and loan association, building and loan association, or homestead association (including cooperative banks) or credit union which makes federally related mortgage loans as determined by the Board;

(3) the term "Board" means the Board of Governors of the Federal Reserve System; and

(4) the term "Secretary" means the Secretary of Housing and Urban Development.

§ 304. Maintenance of Records and Public Disclosure

(a)(1) Each depository institution which has a home office or branch office located within a standard metropolitan statistical area, as defined by the Office of Management and Budget shall compile and make available, in accordance with regulations of the Board, to the public for inspection and copying at the home office, and at at least one branch office within each standard metropolitan statistical area in which the depository institution has an office the number and total dollar amount of mortgage loans which were (A) originated, or (B) purchased by that institution during each fiscal year (beginning with the last full fiscal

year of that institution which immediately preceded the effective date of this title).

(2) The information required to be maintained and made available under paragraph (1) shall also be itemized in order to clearly and conspicuously disclose the following:

(A) The number and dollar amount for each item referred to in paragraph (1), by census tracts, where readily available at a reasonable cost, as determined by the Board, otherwise by ZIP code, for borrowers, under mortgage loans secured by property located within that standard metropolitan statistical area.

(B) The number and dollar amount for each item referred to in paragraph (1) for all such mortgage loans which are secured by property located outside that standard metropolitan statistical area. For the purpose of this paragraph, a depository institution which maintains offices in more than one standard metropolitan statistical area shall be required to make the information required by this paragraph available at any such office only to the extent that such information relates to mortgage loans which were originated or purchased by an office of that depository institution located in the standard metropolitan statistical area in which the office making such information available is located.

(b) Any item of information relating to mortgage loans required to be maintained under subsection (a) shall be further itemized in order to disclose for each such item—

(1) the number and dollar amount of mortgage loans which are insured under title II of the National Housing Act or under title V of the Housing Act of 1949 or which are guaranteed under chapter 37 of title 38, United States Code;

(2) the number and dollar amount of mortgage loans made to mortgagors who did not, at the time of execution of the mortgage, intend to reside in the property securing the mortgage loan; and

(3) the number and dollar amount of home improvement loans.

(c) Any information required to be compiled and made available under this section shall be maintained and made available for a period of five years after the close of the first year during which such information is required to be maintained and made available.

§ 305. Enforcement

(a) The Board shall prescribe such regulations as may be necessary to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary and proper to effectuate the purposes of this title, and prevent circumvention or evasion thereof, or to facilitate compliance therewith.

(b) Compliance with the requirements imposed under this title shall be enforced under—

(1) section 8 of the Federal Deposit Insurance Act, in the case of—

(A) national banks, by the Comptroller of the Currency;

(B) member banks of the Federal Reserve System, other than national banks, by the Board;

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and mutual savings banks as defined in section 3(f) of the Federal Deposit Insurance Act (12 U.S.C. 1813(f)) and any other depository institution not referred to in this paragraph or paragraph (2) or (3) of this subsection, by the Board of Directors of the Federal Deposit Insurance Corporation;

(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions; and

(3) the Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any credit union.

(c) For the purpose of the exercise by any agency referred to in subsection (b) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

§ 306. Relation to State Laws

(a) This title does not annul, alter, or affect, or exempt any State-chartered depository institution subject to the provisions of this title from comply-

ing with the laws of any State or subdivision thereof with respect to public disclosure and recordkeeping by depository institutions, except to the extent that those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency. The Board is authorized to determine whether such inconsistencies exist. The Board may not determine that any such law is inconsistent with any provision of this title if the Board determines that such law requires the maintenance of records with greater geographic or other detail than is required under this title, or that such law otherwise provides greater disclosure than is required under this title.

(b) The Board may by regulation exempt from the requirements of this title any State-chartered depository institution within any State or subdivision thereof if it determines that, under the law of such State or subdivision, that institution is subject to requirements substantially similar to those imposed under this title, and that such law contains adequate provisions for enforcement. Notwithstanding any other provision of this subsection, compliance with the requirements imposed under this subsection shall be enforced under—

(1) Section 8 of the Federal Deposit Insurance Act in the case of national banks, by the Comptroller of the Currency; and

(2) Section 5(d) of the Home Owners' Loan Act of 1933 in the case of any institution subject to that provision, by the Federal Home Loan Bank Board.

§ 307. Research and Improved Methods

(a) (1) The Federal Home Loan Bank Board, with the assistance of the Secretary, the Director of the Bureau of the Census, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and such other persons as the Federal Home Loan Bank Board deems appropriate, shall develop, or assist in the improvement of, methods of matching addresses and census tracts to facilitate compliance by depository institutions in as economical a manner as possible with the requirements of this title.

(2) There is authorized to be appropriated such sums as may be necessary to carry out this subsection.

(3) The Federal Home Loan Bank Board is authorized to utilize, contract with, act through, or compensate any person or agency in order to carry out this subsection.

(b) The Federal Home Loan Bank Board shall recommend to the Committee on Banking, Currency and Housing of the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate such additional legislation as the Federal Home Loan Bank Board deems appropriate to carry out the purpose of this title.

§ 308. Study

(a) The Board, in consultation with the Secretary of Housing and Urban Development, is authorized and directed to carry out a study to determine the feasibility and usefulness of requiring depository institutions located outside standard metropolitan statistical areas, as defined by the Office of Management and Budget, to make disclosures comparable to those required by this title.

(b) A report on the study under this section shall be transmitted to the Congress not later than three years after the date of enactment of this title.

§ 309. Effective Date

This title shall take effect on the one hundred and eightieth day beginning after the date of its enactment. Any depository institution which has total assets as of its last full fiscal year of $10,000,000 or less is exempt from the provisions of this title.

§ 310. Termination of Authority

The authority granted by this title shall expire four years after its effective date.

Cities and States Mandated to Furnish Disclosure Data

	Lenders Covered								Areas Covered			Geographical Units				Deposit Information				Reporting Periods				
	State Banks and Mutual Savings Banks	Federal Banks	State Savings and Loans	Federal Savings and Loans	Other Depository Institutions (Credit Unions)	Mortgage Bankers	Life Insurance Companies	Asset Size Minimum	Exemption of Institutions with no Office in Selected Metropolitan Areas	Metropolitan and Rural Areas	All or Selected Metropolitan Areas Only	Census Tract Level - All Areas	Census Tract for City or Metropolitan Areas only	ZIP Code or Single Summary Category for Some Areas	Covers Owner-Occupant and Non-Occupant Owner	Combined Deposit Category	Savings and/or Time Deposits	Demand Accounts (Checking, etc.)	Individual and Commercial Accounts	Annual Reporting	Semi-Annual	Quarterly	Monthly	Other
Federal Act	x	x	x	x	x			10			x	x		x	x					x				
California			x							x		x			x					x			x	
Massachusetts	x		x		x			20			x		x	x			x	x		x				
New York	x		x					50		x			x	x	x		x			x				
Illinois	x	x	x	x	x	x	x				x	x		x						x	x			
Michigan	x	x	x	x	x	x		10			x	x		x	x					x				
New Jersey	x	x	x	x	x			10	x	x			x	x	x							x		
Chicago	x	x	x	x							x		x	x			x	x		x				
St. Louis	x	x	x	x				10			x	x		x	x		x	x		x				
Cleveland	x	x	x	x							x		x	x			x							x
Minneapolis	x	x	x	x							x		x	x			x	x	x	x				
Rockford	x	x	x	x							x	x									x			
Connecticut	x	x	x	x	x			10			x	x		x	x					x				
Washington	x	x	x	x	x						x	x								x				

Cities and States Mandated to Furnish Disclosure Data

	Property Characteristics				Borrower Characteristics										Availability			
	Age of Properties	Living Space	Appraised Value	Selling Price	Borrower's Income	Borrower's Race	Borrower's Sex	Borrower's Age	Foreclosures Reported	Delinquency and Defaults Reported	Individual Loan-by-Loan Reporting	Aggregate Data for Geographic Areas	Analysis Required by Agency	Some Analysis Done by Agency	Data Available at Central Place	Data at Lending Institutions	Part of Anti-Discrimination Legislation	Part of Public Deposits Ordinance
Federal Act												x				x		
California	x	x	x	x	x	x	x	x			x		x	x	x			
Massachusetts									x						x	x		
New York									x	x		x						
Illinois									x	x		x	x		x			
Michigan									x			x	x		x	x	x	
New Jersey	x			x							x					x	x	
Chicago												x			x		x	x
St. Louis												x	x	x	x	x	x	x
Cleveland												x						x
Minneapolis												x		x	x	x	x	x
Rockford												x			x	x		x
Connecticut												x	x		x	x	x	
Washington									x			x			x	x	x	

Cities and States Mandated to Furnish Disclosure Data

	Loan Categories																Loan Terms				
	Disclosure of Total Portfolio	Disclosure for Single Reporting Period	Conventional Mortgages Separate	Combined, FHA, VA, or FmHA Category	Separate FHA, VA or FmHA Categories	Loans Under State Programs	Improvement and/or Rehabilitation	Construction	Vacant Land Purchase	Commercial	Consumer	Detailed Reporting - Single Family	Multi-Family	Some Reporting - Other Real Estate	Loan Applications Reported	Purchased Loans Reported	Individual or Average Interest Rate	Individual or Average Downpayment	Individual or Average Term	Origination Fees and Charges	Loan to Price (Appraisal) Ratio
Federal Act		x	x	x			x					x	x			x					
California		x	x		x		x	x	x			x	x	x	x	x	x	x	x	x	x
Massachusetts	x	x	x	x			x					x	x	x		x	x				x
New York		x	x	x								x	x	x			x		x		x
Illinois	x	x	x		x		x	x				x	x		x						
Michigan		x	x	x			x					x	x		x	x	x	x	x	x	x
New Jersey		x	x	x		x	x					x	x		x	x			x		
Chicago		x	x	x			x	x		x	x	x	x				x	x	x		
St. Louis		x	x	x			x					x	x			x	x		x		
Cleveland		x	x	x			x	x				x	x				x	x	x		
Minneapolis		x	x	x			x					x	x	x	x	x					
Rockford		x	x		x		x	x				x	x	x	x		x	x	x		
Connecticut		x	x	x			x					x	x			x					
Washington	x	x	x		x		x					x	x		x	x		x			

CRA Regulations: The four federal bank & S&L regulators, i.e., the Comptroller of the Currency, Federal Home Loan Bank Board, Federal Deposit Insurance Corporation, and Federal Reserve Board jointly drafted the CRA regulations. References in the reg text below to "national banks" reflect only that this is the Comptroller's version of the regs. All four, however, are virtually the same.

PART 25—COMMUNITY REINVESTMENT ACT REGULATIONS

REGULATIONS

AUTHORITY: Community Reinvestment Act of 1977 (Title VIII, Pub. L. 95-128, 91 Stat. 1147 (12 U.S.C. 2901 et seq.)); 12 U.S.C. 21, 22, 26, 27, 30, 36, 161, 215, 215a, 481, 1814, 1816, 1828(c).

§ 25.1 Authority.

The Comptroller of the Currency ("Comptroller") issues this part under the authority of the Community Reinvestment Act of 1977 (title VIII of Pub. L. 95-128), and under provisions of title 12 of the United States Code authorizing the Comptroller to charter national banks (secs. 21, 22, 26, and 27), to issue certificates to national banks to commence or resume the business of banking (secs. 1814, 1816), to consider applications from national banks to relocate a main office (sec. 30) or to establish or relocate a branch office (sec. 36), to consider applications for a merger, consolidation, acquisition of assets, or assumption of liabilities where the acquiring, assuming, or resulting bank is a national bank (secs. 215, 215a, 1828(c)), to require reports of condition (sec. 161), and to conduct examinations of national banks (sec. 481).

§ 25.2 Purposes.

The purposes of this regulation are to encourage national banks to help meet the credit needs of their local community or communities; to provide guidance to national banks as to how the Comptroller will assess the records of national banks in satisfying their continuing and affirmative obligations to help meet the credit needs of their local communities, including low- and moderate-in come neighborhoods, consistent with the safe and sound operation of those banks; and to provide for taking into account those records in connection with certain applications.

§ 25.3 Delineation of community.

(a) Each national bank shall prepare, and at least annually review a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps shall be used to portray community delineations. The reasonableness of the delineations will be reviewed by national bank examiners.

(b) A local community consists of the contiguous areas surrounding each office or group of offices, including any low- and moderate-income neighborhoods in those areas. More than one office of a national bank may be included in the same local community. Unless the Comptroller determines otherwise, a community delineation need not take account of an off-premises electronic facility that receives deposits for more than one depository institution. In preparing its delineation, a national bank may use any one of the three bases set forth below.

(1) Existing boundaries such as those of standard metropolitan statistical areas (SMSA's) or counties in which the bank's office or offices are located may be used to delineate a local community. Where appropriate, portions of adjacent areas should be included. The bank may make adjustments in the case of areas divided by State borders or significant geographic barriers, or areas that are extremely large or of unusual configuration. In addition, a small bank may delineate those portions of SMSA's or counties it reasonably may be expected to serve.

(2) A national bank may use its effective lending territory, which is defined as that local area or areas around each office or group of offices where it makes a substantial portion of its loans and all other areas equidistant from its offices as those areas. Adjustments such as those indicated in paragraph (b)(1) of this section may be made.

(3) A national bank may use any other reasonably delineated local area that meets the purposes of the Community Reinvestment Act (CRA) and does not exclude low- and moderate-income neighborhoods.

§ 25.4 Community Reinvestment Act statement.

(a) Within 90 days after the effective date of this part, the board of directors of each national bank shall adopt a Community Reinvestment Act (CRA) statement for each delineated community.

(b) Each CRA statement shall include at least the following:

(1) The delineation of the local community;

(2) A list of specific types of credit within certain categories, such as residential loans for one to four dwelling units, residential loans for five dwelling units and over, housing rehabilitation loans, home improvement loans, small business loans, farm loans, community development loans, commercial loans, and consumer loans, that the bank is prepared to extend within the local community; and

(3) A copy of the Community Reinvestment Act notice provided for in § 25.6.

(c) Each national bank is encouraged to include the following in each CRA statement:

(1) A description of how its current efforts, including special credit-related programs, help to meet community credit needs;

(2) A periodic report regarding its record of helping to meet community credit needs; and

(3) A description of its efforts to ascertain the credit needs of its community, including efforts to communicate with members of its community regarding credit services.

(d) Each national bank's board of directors shall review each CRA statement at least annually and shall act upon any material change made in the interim at its first regular meeting after the change. Such actions shall be noted in its minutes.

(e) Each current CRA statement shall be readily available for public inspection:

(1) At the head office of the bank; and

(2) At each office of the bank in the local community delineated in the statement, except off-premises electronic deposit facilities.

(f) Copies of each current CRA statement shall be provided to the public upon request. A national bank may charge a fee not to exceed the cost of reproduction.

§ 25.5 Files of public comments and recent CRA statements.

(a) Each national bank shall maintain files that are readily available for public inspection consisting of:

(1) Any signed, written comments received from the public within the past 2 years that specifically relate to any CRA statement or to the bank's performance in helping to meet the credit needs of its community or communities;

(2) Any responses to the comments that the bank wishes to make; and

(3) Any CRA statements in effect during the past 2 years.

(b) These files shall not contain any comments or responses that reflect adversely upon the good name or reputation of any person other than the bank or publication of which would violate specific provisions of law.

(c) These files shall be maintained by each national bank as follows:

(1) All materials at the head office; and

(2) Those materials relating to each local community at a designated office in that community.

§ 25.6 Public notice.

Within 90 days after the effective date of this part, each national bank shall provide, in the public lobby of each of its offices other than off-premises electronic deposit facilities, the public notice set forth below. Bracketed material shall be used only by banks having more than one local community. The last item shall be included only if the bank is a subsidiary of a holding company that is not prevented by statute from acquiring additional banks.

COMMUNITY REINVESTMENT ACT NOTICE

The Federal Community Reinvestment Act (CRA) requires the Comptroller of the Currency to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the Comptroller decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

- You may obtain our current CRA statement for this community in this office. [Current CRA statements for other communities served by us are available at our head office, located at ————.]
- You may send signed, written comments about our CRA statement[s] or our performance in helping to meet community credit needs to (title and address of bank official) and to the Regional Administrator of National Banks (address). Your letter, together with any response by us, may be made public.
- You may look at a file of all signed, written comments received by us within the past 2 years, any responses we have made to the comments, and all CRA statements in effect during the past 2 years at our office located at (address). [You also may look at the file about this community at (name and address of designated office).]
- You may ask to look at any comments received by the Regional Administrator of National Banks.
- You also may request from the Regional Administrator of National Banks an announcement of applications covered by the CRA filed with the Comptroller.
- We are a subsidiary of (name of holding company), a bank holding company. You may request from the Federal Reserve Bank of (city, address) an announcement of applications covered by the CRA filed by bank holding companies.

§ 25.7 Assessing the record of performance.

In connection with its examination of a national bank, the Comptroller shall assess the record of performance of the bank in helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. The Comptroller will review the bank's CRA statement(s) and any signed, written comments retained by the bank or the Comptroller. In addition, the Comptroller will consider the following factors in assessing a bank's record of performance:

(a) Activities conducted by the bank to ascertain the credit needs of its community, including the extent of the bank's efforts to communicate with members of its community regarding the credit services being provided by the bank;

(b) The extent of the bank's marketing and special credit-related programs to make members of the community aware of the credit services offered by the bank;

(c) The extent of participation by the bank's board of directors in formulating the bank's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act;

(d) Any practices intended to discourage applications for types of credit set forth in the bank's CRA statement(s);

(e) The geographic distribution of the bank's credit extensions, credit applications, and credit denials;

(f) Evidence of prohibited discriminatory or other illegal credit practices;

(g) The bank's record of opening and closing offices and providing services at offices;

(h) The bank's participation, including investments, in local community development and redevelopment projects or programs;

(i) The bank's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community;

(j) The bank's participation in governmentally insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms;

(k) The bank's ability to meet various community credit needs based on its financial condition and size, and legal impediments, local economic conditions, and other factors; and

(l) Other factors that, in the Comptroller's judgment reasonably bear upon the extent to which a national bank is helping to meet the credit needs of its entire community.

§ 25.8 Effect on applications.

(a) In considering an application for: (1) The establishment of a domestic branch or other facility with the ability to accept deposits; (2) the relocation of the main office or a branch office; or (3) a merger or consolidation with or the acquisition of assets or assumption of liabilities of a federally insured bank, the Comptroller will take into account, among other factors, the applicant's record of performance.

(b) In considering an application for conversion from a State bank charter to a national bank charter, the Comptroller will assess the applicant's record of performance, and will take into account, among other factors, that record.

(c) Applicants for a national bank charter other than a State bank shall submit a proposed CRA statement when the application is made. In considering the application, the Comptroller will take into account, among other factors, the proposed CRA statement.

(d) In considering an application described in paragraph (a), (b), or (c) of this section, the Comptroller will take into account, among other factors, any views expressed by State or other Federal supervisors of depository institutions or other interested parties, which are submitted in accordance with the Comptroller's procedures set forth in 12 CFR part 5.

(e) A bank's record of performance may be the basis for the denial of an application described in paragraph (a) or (b) of this section. The proposed CRA statement of an applicant for a national bank charter may be the basis for the denial of the application.

INTERPRETATIONS

§ 25.101 National banks performing limited services.

In response to its proposed regulation, 12 CFR 25, to implement the Community Reinvestment Act ("CRA"), the Comptroller of the Currency received several inquiries from institutions that, although they are chartered as banks, do not perform commercial or retail banking services. These institutions serve solely as correspondent banks, or as trust companies, or as clearing agents, and they do not extend credit to the public for their own account. The Comptroller concludes that the CRA is not intended to cover these institutions. It is the purpose of the CRA to require the Comptroller to encourage national banks to meet the credit needs of their local communities. To this end, the Comptroller must assess banks' records of performance and take those records into account in acting on certain applications affecting the banks. The Comptroller believes that these provisions were intended to cover all banks that are in the business of extending credit to the public, including both "wholesale" and "retail" banks. The lending activities of these banks affect the economic health of the communities in which they are chartered. However, the Comptroller believes it would be pointless to encourage or to assess the credit granting record of institutions that are not organized to grant credit to the public in the ordinary course of business, other than as an incident to their specialized operations. Accordingly the term "national bank" as used in the Comptroller's regulation, part 25 (12 CFR Part 25), does not include banks that engage solely in correspondent banking business, trust company business, or acting as a clearing agent.

EXCERPTS FROM COMMUNITY REINVESTMENT ACT EXAMINATION PROCEDURES

1. The examiner must look at the institution's Files of Public Comments and recent CRA Statements. They must also look at comment letters received by the regulatory agency.

2. Examiners are encouraged to contact commentors and/or community members "to the extent deemed necessary."

3. Examiners are to assess whether any low-and-moderate-income neighborhoods have been arbitrarily excluded from a lenders service area map. In determining whether the community definition is reasonable, the examiner must be alert to situations where low-and-moderate-income neighborhoods are gerrymandered out of a delineated area. Moreover, in assessing an institution's record, the examiner should focus particular attention on the lender's performance in low-and-moderate-income neighborhoods within a local community.

4. Examiners are to review the institution's credit underwriting and appraisal criteria and terms and conditions of loans to determine if they are being used for exclusionary purposes, contrary to the objectives of CRA.

5. Examiners are to ascertain "from institution records and through the interviewing process the extent to which the institution has communicated with members of its local community" in determining community credit needs.

   - relation to the "extent of the institution's marketing and special credit-related programs to make community members aware of the credit services offered by the institution," examiners are to review:

   a. Any working relationships the institutions may have with real estate brokers or others who service low-and-moderate-income neighborhoods.

   b. Mortgage counseling programs and programs of management assistance for small or minority businesses.

   c. Credit and credit-related services in low-and-moderate-income neighborhoods compared to such services in other neighborhoods served by the institution.

   d. Use of institution representatives for seeking out potential housing-related and small business demand in low-and-moderate-income neighborhoods.

   e. Advertising the types of loans the institution is willing to make in media likely to reach low-and-moderate-income individuals in the institution's local community or communities.

7. Examiners are to assess "any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s). Among the suggestions to examiners for making this assessment are:

   a. Whether the loan officers are aware of the types of credit the bank offers to members of its local community.

   b. Whether the institution is prepared to extend types of credit in some local communities or neighborhoods but not in others.

   c. Whether loan offices or other public contact personnel pre-screen potential applicants from obtaining loans that the institution has stated it is willing to make, particularly applicants from low-and-moderate-income neighborhoods.

8. Examiners are also to determine whether there is any indication of a geographic distribution of credit extensions, applications for credit, and credit denials which would signify failure to serve selected areas of local communities, particularly low-and-moderate-income neighborhoods.

   --As a part of this examiners are advised to review the institution's HMDA statements, financial statements, its written lending policy, and other data.

9. Examiners are encouraged to review:

   "The institution's participation, including investments, in local community development and redevelopment projects or programs." The following are given as examples for the examiners guidance:

   * HUD's Community Development Block Grant Program
   * Local neighborhood preservation efforts
   * Community Development Corporations
   * Financing for Local Development Corporations
   * Neighborhood Housing Services
   * Investments in, or coordination with, Minority Enterprise Small Business Investment Corporations in providing loans to business for which equity or subordinated debt is provided by MESBIC or SBIC
   * Purchase of securities of State and local housing agencies.

10. Examiners are to assess "whether the institution's policies promote efforts to assist <u>existing</u> residents in neighborhoods undergoing a process of reinvestment and change.

11. Examiners are to prepare for regulatory agencies a narrative statement for report to include:

   a. the reasonableness of the institutions "Community Delineation"
   b. the assessment of an "institution's record of performance in helping to meet the credit needs of its entire community, including low-and-moderate-income neighborhoods."
   c. a listing of the examiners-assessment of "non-compliance" and "recommended corrective action."

12. Finally, the examiner is to:
"For Agency use only, the examiner staff will assign a rating of 1 to 5 based on the institution's overall CRA performance. In connection with this rating, the examining staff will develop a narrative for Agency use specifically addressing the institution's efforts to help meet the credit needs of the low-and moderate-income-neighborhoods in its local community."

FEDERAL HMDA ENFORCEMENT AGENCIES

The following list indicates the Federal Agencies that enforce Regulation C for each of the classes of depository institutions which must comply with its provisions. Any question concerning compliance by a particular depository institution should be directed to the appropriate enforcing agency.

National Banks

Comptroller of the Currency
Office of Customer & Community Programs
Washington, DC 20219

State Member Banks

Federal Reserve Bank serving the area in which the State member bank is located.

FDIC Insured Banks (except for National Banks and State Member Banks) and Mutual Savings Banks

Office of Customer Affairs and Civil Rights
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429

Savings and Loan Associations and Other Savings Institutions insured by the FSLIC and Members of the FHLB System (except for Savings Banks insured by FDIC)

Federal Savings and Loan Insurance Corporation
Department of Examinations
Federal Home Loan Bank Board
1700 G St., NW
Washington, DC 20552

Credit Unions

National Credit Union Administration
2025 M St., NW
Washington, DC 20456

Other Depository Institutions

Office of Bank Customer Affairs
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429

CASE STUDY: NORTHWEST BRONX COMMUNITY AND CLERGY COALITION (NWBCCC)

NWBCCC REINVESTMENT COMMITTEE AND BANK B

4/20/77

1. If any organization affiliated with NWBCCC presents the bank (mortgagee) with documented evidence that a certain number of violations are outstanding in the building, and the landlord has already been informed of the violations by the tenant association, then the bank will meet with the landlord and organization to enforce the "good repair clause." The bank will give the landlord the opportunity to sign a repair agreement which will allow him/her to clear up all violations of any consequence in the building. A bank inspector will accompany the tenant association at the building to see if the landlord is complying with the repair agreement.

2. Local community organizations will monitor all repair contracts between the bank and landlords.

3. Any landlord who has been called into the bank due to violations on the building must open up the books on the finances of the building.

4. If the landlord has proved that there are not sufficient funds to do the needed repairs in the building and the landlord has agreed to work in the best interest of the tenants then the bank should be willing to extend one of the following:

   - Offer a debt moratorium on the mortgage payments until repairs can be made.
   - Refinance the mortgage or offer a mini-loan.

   These will be offered if the landlord agrees to enter into an agreement stating that work will be completed in a certain time limit. If the landlord is not complying with the schedule, then the bank will begin foreclosure proceedings. Local community organizations will monitor the work of the landlord or, if necessary, supply to the bank a list of acceptable receivers to manage the buildings during foreclosures.

5. All banks will disclose which properties they hold mortgages on in the Northwest Bronx.

6. All banks will disclose the amount of deposits by residents according to census tract or zip code.

7. All banks will allow community groups affiliated with the NWBCCC to review all mortgage, improvement loan and small business loan transactions on a quarterly basis. Included in this information will be numbers and types of mortgages/loans, the number applied for and the mortgage/loan terms for whether they were accepted or rejected.

8. The mortgage/loan terms, including the rate and downpayment, must not be such as to discourage legitimate investments in multiple dwellings or the purchase and improvement of a private home.

9. The NWBCCC will recommend to the banks for special consideration landlords and community groups with good reputations in our neighborhoods and prospective homeowners who are known to us as good risks. Reports will be given to the NWBCCC Committee as to the results of any of these requests and a reason given if they are rejected.

10. A list of landlords and mortgage speculators who have poorly managed buildings or have exhibited negligent responsibility in our neighborhoods will also be submitted to the banks. We recommend that no transactions occur between the banks and these individuals or corporations.

11. Banks will contact the local community groups when they have a mortgage which they consider as a poor risk in order to consider alternatives to sellings. After doing this consulting with the local group and no alternative can be arrived at, the bank will provide the name of any potential buyer of the mortgage and the bank along with the community group will look into his or her past management record.

12. The banks will issue mortgage/loans in the Northwest Bronx in the same proportion as their deposits in the Northwest Bronx. Therefore, the percentage of mortgage/loan money reinvested in the Northwest Bronx in comparison to all mortgage/loan money by a certain bank will equal the percentage of deposits in that bank. The banks will cooperate with the NWBCCC to help advertise the availability of mortgage/loan money and to push to see that the money is being used.

13. The banks will consider a mortgage pool for the Northwest Bronx which would help reduce the risk for lending institutions and act as a method to get reluctant banks involved. This pool will set terms at a reasonable standard, possibly even a reduced rate to encourage investment.

List of Contact People for Case Studies

Northwest Bronx Community and Clergy Coalition
Bill Frey
2496 Marion Avenue
Bronx, NY 10451
212/295-4130

Evanston Hsg. Coalition
Vikki Smith
Neighbors at Work
1813 Dempster
Evanston, IL 60201
312/328-5166

Missouri ACORN
Richard Ratcliff
3177 South Grand Avenue
St. Louis, MO 63118
314/865-3833

South Shore National Bank (Chicago)
Stanley Hallett
Northwestern University Center for Urban Affairs
2040 Sheridan Road
Evanston, IL 60201
312/492-3395

D.C. Neighborhood Reinvestment Commission
James Vitarello
Comptroller of the Currency
Office of Customer and Community Programs
Washington, DC 20219
202/447-0934

Citizens' Planning and Housing Association
John Michener
340 North Charles Street
Baltimore, MD 21201
301/539-1369

Institute for the Study of Civic Values
Jane Shull
401 North Broad Street
Philadelphia, PA 19108
215/922-8960

Citizens for Community Improvement (Iowa)
Joe Fagan
Iowa Coalition of Community Organizations
1022 "J" and "R" Drive
Waterloo, IA 50302
319/234-4141

The Baltimore Mortgage Market Study
Rodger Windsor
Home Ownership Development Program
401 North Charles Street
Baltimore, MD 21202
301/685-1775

Disinvestment in Northwest Philadelphia
Edward Finkle
6843 Anderson Street
Philadelphia, PA 19119
215/844-8324

National Training and Information Center
Michael Przybylski
1123 West Washington Boulevard
Chicago, IL 60607
312/243-3035

<u>Regulatory Agency Change</u>

from:
Office of Housing and Urban Affairs
FHLBB

to:
Federal Savings and Loan Insurance Corporation
Department of Examinations
Federal Home Loan Bank Board
1700 G Street, NW
Washington, DC 20552

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